
City of Portage, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2008

Prepared by:

Finance Department

CITY OF PORTAGE, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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December 16, 2008

To the Honorable Mayor, members of the City Council, and the Citizens of the City of Portage:

The comprehensive annual financial report of the City of Portage for the fiscal year ended June 30, 2008 has been completed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the city's management. To the best of our knowledge and belief the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the city. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the city have been included.

LOCATION AND LAND USE

The City of Portage, which is situated in the southwest part of the State of Michigan and located halfway between Chicago and Detroit, covers an area of 35.2125 square miles. Approximately 73 percent of the land is zoned for residential use, 19 percent for industrial and 8 percent zoned for commercial uses. This mix of land uses and convenient access to two major highways creates a balanced and healthy local economy.

ECONOMIC CONDITION AND OUTLOOK

The City of Portage is the unit of government in Kalamazoo County with the largest Assessed Value (regular tax roll). The state equalized value of real and personal property including tax abatements has increased from \$348,055,600 in 1980, to \$799,757,900 in 1990, to \$2,400,420,050 for the fiscal year ended June 30, 2008. The taxable value for the year beginning July 1, 2007 increased approximately 3.5 percent over the prior year. The City of Portage unemployment rate for September 2008 was 5.4 percent.

Portage has a well-balanced and diversified economy. Residential use accounts for 55 percent of the property value, industrial 20 percent and commercial 25 percent. Employment is also well balanced which is characterized by a high degree of manufacturing (21.3 percent of total employment), wholesale and retail trade (16.7 percent), and service activity (40.1 percent), the remaining 21.9% include agricultural, construction, and public administration employment. Based on the 2002 census, the number of employed Portage residents was 23,566; yet 35,192 jobs existed within Portage, making Portage a net importer of jobs for residents from Kalamazoo County and beyond. By the year 2025, the number of jobs offered in the City of Portage is expected to increase to 37,928 (2002 Portage Comprehensive Plan).

The Pfizer Corporation, the city's largest taxpayer, has manufacturing, packaging and office facilities located in the City of Portage. Construction activities for the Pfizer complex in Portage continue with modification and new packaging and processing lines being added.

Stryker Corporation constructed a 433,000 square-foot medical-products manufacturing facility in the City of Portage that was completed in 2005. This facility, at the corner of Sprinkle Road and East Centre Avenue, is the primary Stryker Medical Division manufacturing facility. The Stryker Medical division focuses on the production of hospital and emergency service beds and

stretchers. Additional manufacturing, warehousing and administrative facilities are located throughout Portage making Stryker the city's second largest taxpayer.

The completion of another Stryker manufacturing facility of approximately 200,000 square feet with an estimated cost of \$30 million at the southeast corner of East Milham Avenue and Sprinkle Road builds upon the success of the surgical instruments division. The Stryker Instruments division is the company's primary location for the production of replacement hips and joints, along with orthopedic surgical instruments such as medical drills, saws and micro-powered tools. These facilities located in Portage are part of a total facilities expansion and renovation project with a total estimated investment of \$62 million and an estimated total of 225 new jobs and 1,600 jobs retained according to communication from Stryker.

The continued diversification and growth of the local economy and tax base is viewed as essential to the community. In an effort to ensure a healthy economy, the City of Portage implemented four major initiatives. These four initiatives are listed below:

1. **1996 Industrial Development Initiative:** an investment of nearly \$2 million in public infrastructure improvements to open up more than 100 acres of land for full-service industrial sites within industrial park settings. Several industrial facilities including Federal Express, Summit Polymers, Business Cards Plus, Avtech Laboratories, Idea, Inc., Kalamazoo Machine Tool, Quality Air Service, among others have constructed new facilities as a direct result of this city initiative. Private investment totals about \$36.2 million to date.
2. **1998 Community Investment Initiative:** the combined investment of almost \$7 million from local, state and federal sources in important infrastructure projects within the first city Downtown Development Authority (DDA) district, development of the 50 acre Milham Business/Technology Park and the reconstruction of Shaver Road as a boulevard. Businesses including Gander Mountain, Meijer, Inc., Bennigan's Restaurant, Lowe's Home Improvement Center and Hooters Restaurant have also constructed new facilities as a result of the Community Investment Initiative. Businesses have invested approximately \$88.4 million to date.
3. **1999 Commerce Square Enhancement Initiative:** focused on enhancements to the South Westnedge Avenue commercial corridor including roadway improvements to South Westnedge Avenue, Mall Drive and Romence Road/Romence Road Parkway. These major roadway improvement projects will ensure the continued success of the central business area by providing safe and convenient access for patrons and employees. The Commerce Square Enhancement Initiative stimulated redevelopment of the northwest corner of South Westnedge Avenue and West Milham Avenue. Several aging and vacant buildings previously occupied this area, one of the busiest intersections in Kalamazoo County. These aging and vacant buildings have been razed and replaced with new facilities for Bed Bath and Beyond, Panera Bread, Babies'R'Us, and Consumers Credit Union. The Commerce Square Enhancement Initiative also included a major project to improve water quality associated with local wetlands and Consolidated Drain No. 1 and, at the same time, reclaim land for development that was previously used for storm water retention. The total level of public investment amounted to more than \$9 million. The Shoppes at Romence Village is a 150,000 square foot retail center anchored by D&W Food Center and Stein Mart, with additional retailers Great Clips, Renaissance Home & Garden, Mirage Tanning Salon and restaurants Los Amigos, Z-Café, and Jets Pizza completed in subsequent phases of this development project. To date, approximately \$77.6 million in private investment has occurred.

4. **The South Westnedge Avenue Enhancement Project:** a major corridor improvement program from Milham Avenue to Kilgore Road. The project was initiated in 2004/2005 to coordinate with and facilitate the improvement of the I-94/South Westnedge Avenue interchange and associated widening of South Westnedge Avenue from Dawnlee Avenue to Trade Center Way by the Michigan Department of Transportation. The project includes street widening, new street construction and property acquisition.

South Westnedge Avenue is a most important north-south major street in Kalamazoo County and provides access to the major shopping areas in the city. Considerable new development and redevelopment is occurring on the South Westnedge Avenue corridor especially between Kilgore Road and Milham Avenue in the City of Portage. The planned MDOT improvement to the I-94/South Westnedge Avenue interchange and related freeway improvements will necessitate associated widening from Kilgore Road to Milham Avenue.

The financial and employment-related success of these economic development initiatives is significant. Eighty-four businesses and industries have either expanded existing facilities in Portage, have been retained within Portage or have established new facilities within the community that can be associated with these initiatives. In total to date, the level of investment is approximately \$200 million in market value, with an estimated 3,264 added jobs. Although the City of Portage allocated significant local resources to ensure the success of these important economic development initiatives, the return on investment is significant. The initial economic impacts associated with the private sector projects are very good news for the community in terms of diversifying the tax base and adding job opportunities for area residents. It is also important to underscore that these initiatives were accomplished without a tax increase and with a combination of local tax resources, private sector participation as well as state and federal funds.

Portage is also a major retail center for Southwest Michigan. The Crossroads Mall, a regional shopping center of more than 800,000 square feet, has approximately 100 tenants including Macy's, J.C. Penney & Company, Burlington Coat Factory and Sears Roebuck & Company. Southland Mall is another major retail mall in the city. The nearly 300,000 square foot retail center includes Old Navy Apparel, Circuit City, Kohl's Department Store, Barnes & Noble Book Store and T.J. Maxx, among other stores. Several additional major retailers are located within Portage including: Meijer, Inc., Home Depot, Lowe's, Target, Best Buy, K-Mart Corporation, and Menards Home Improvement Center. Two other retail shopping centers, the Portage Crossings and the Carillon Center, have a combined building area of 308,000 square feet. Additionally, Sam's Club wholesale club constructed a 135,000 square foot facility on South Westnedge Avenue at Romence Road that was opened in early 2006. The estimated employment of Portage retail trade establishments in 2002 was 9,500. The total retail area in the main South Westnedge commercial corridor is approximately 4.24 million square feet with a 94 percent occupancy rate as of December 2007.

Other projects which have had a positive impact on the local economy include the extension of the Romence Parkway to Portage Road in 2000, the creation of a Brownfield Redevelopment Authority in 2001 and several quality of life enhancements. The extension of Romence Parkway to Portage Road had a major impact on traffic flow in the community by providing an essential east-west link in the major thoroughfare system with improved access to the commercial corridor and to industrial centers in the community. East Milham Avenue from Oakland Drive to Lovers Lane, and Centre Avenue from Portage Road to Sprinkle Road have been widened. These improvements afford numerous economic development benefits, and provide improved roadway access and city utilities to Pfizer, Inc.

The creation of a Brownfield Redevelopment Authority in 2001 has provided an important economic incentive for the environmental clean-up and redevelopment of the former Portage Steel site located on West Centre Avenue. Redevelopment of this property, which was abandoned for several years, with an approximate \$10 million retail and office complex is a significant benefit to the city and to the other taxing jurisdictions. This ongoing redevelopment project provides an expanded tax base and additional job opportunities (estimated to be 200-250) for area residents and is a significant economic development initiative within the area.

Quality of life for Portage residents is a major focus. Several major enhancement projects have been implemented to promote recreation and healthy lifestyles for citizens. The Northwest Portage Bikeway is a two-mile non-motorized trail that serves the most heavily populated quadrant of the community and connects to school, park and commercial facilities. The recently completed Liberty Park in the Portage City Centre was the result of an environmental and economic development initiative. This urban park features floral displays, a boardwalk along Portage Creek and a waterfall in addition to cleaning polluted storm water runoff from the area. Through a federal grant, new development at South Westnedge Park includes an in-line hockey rink, soccer field and 10,000 square foot concrete skate park. The skate park has drawn state-wide acclaim for the unique features offered and is very popular for area youth and young adults. Veterans Memorial Park with a landscaped flag display is a tribute to those who have served and currently serve in the United States Military. This joint project with local veteran organizations is a focal point for the region. The Millennium Park Ice Rink continues to be a major community recreational destination site. This outdoor refrigerated surface was the first in southwest Michigan. With a free-form design, thousands of area residents skate “under the stars” during the winter season.

There are several area and regional commercial bank branches and thrift institutions within the city, which serve the banking needs of the community and its residents. These include: Comerica, J. P Morgan Chase, National City, Fifth Third Bank, Flagstar Bank, Bank of America, Huntington Bank, Portage Commerce Bank (headquartered in Portage), Keystone Community Bank, Chemical Bank – Shoreline and Wells Fargo Bank.

Transportation needs are served by United, American, Delta and Northwest airlines through the Kalamazoo-Battle Creek International Airport; several bus services; and railroads. Two major highways, Interstate 94 and U.S. 131 intersect within the City of Portage, providing a major “crossroads” which continues to promote growth and development. The Michigan Department of Transportation has initiated the widening of I-94 through the City of Portage. Completion of this important highway improvement project is expected by 2015-17. The City of Portage is 152 miles from Detroit on I-94, 148 miles from Chicago on I-94, and 245 miles from Indianapolis via I-94 and I-69, and so has access to 65 percent of the market population of the U.S. within 500 miles.

MAJOR INITIATIVES

For the Year.

The 2007/2008 budget emphasized the areas of Transportation and Quality of the Environment.

Transportation – The South Westnedge Enhancement Project is a continuing major corridor improvement program from Milham Avenue to Kilgore Road in anticipation of the I-94 widening by the Michigan Department of Transportation. The project includes street widening, new street construction and property acquisition. I-94 Improvements: West city limits to

Oakland Drive is a continuation of the project to widen I-94 to six lanes within the city limits from 12th street to Portage Road including reconstruction of existing bridge structures at Oakland Drive, South Westnedge Avenue, Lovers Lane, railroad crossings, and Portage Road. Sound barriers are also being installed as part of this project. Romence Road, Oakland to Angling was reconstructed including paved shoulders and minor storm drain improvements. Left turn lanes at collector cross streets were also provided as needed.

Quality of the Environment – Garden Lane Arsenic Removal Facility is being constructed to remove arsenic, iron and manganese. New federal guidelines for public water limit the presence of arsenic concentrations to 10 parts per billion. In order to preserve the Garden Lane Well Field as a major water supply source for the expanding Portage water system, an arsenic removal facility is necessary to meet this very restrictive requirement. The Garden Lane Well Field water production is critical to ensure that the Portage water system has adequate capacity to meet demand and fire flow requirements. Ramona Park Improvements includes a new accessible playground structure and safety surfacing, new fishing pier, lifeguard chairs and security equipment and renovations to the visitor contact station to improve services to park patrons and enhance building security.

FINANCIAL INFORMATION

The City Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the city are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, though not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. The city maintains budgetary controls through its financial management information system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body of the city. Activities of the General Fund, Special Revenue Funds, and Debt Service Funds are included in the annually appropriated budget. Project-length financial plans are adopted for the Capital Improvement Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity or project within the individual funds. The city also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

As demonstrated by the statements and schedules included in the financial section of this report, the city continues to meet its responsibility for sound financial management.

Please see the section titled Management's Discussion and Analysis which follows the auditor's opinion for additional information relating to fiscal year 2007/2008.

Tax collections were 98.5 percent of the tax levy. The County of Kalamazoo has established a Delinquent Tax Revolving Fund and pays the city for all real property taxes returned as delinquent to the County Treasurer as of March 1 of each year.

General Fund Balance. In 1985 City Council established an intent that the fund balance of the General Fund be at least 13 percent of General Fund expenditures including transfers. The total “unrestricted” fund balance of the General Fund at June 30, 2008 was 13.4 percent of actual 2007/2008 expenditures including transfers. In addition to this amount, there exist restricted funds for other uses such as encumbrances, prepaid expenses and grants not available for use resulting in an overall fund balance of approximately 21 percent.

The city’s general obligation bonding is rated at AA by Standard & Poor’s. This solid rating has the effect of reducing borrowing costs and is another indicator of the financial viability of the city and community.

Enterprise Operations. The city enterprise operations are comprised of the Water and Sewer Funds. At June 30, 2008, the Sewer and Water Funds had net asset value balances of \$46,661,399 and \$16,579,870 respectively. The Utility had a cash balance of \$2,958,814 at June 30, 2008. Annual rate reviews and adjustments ensure continued financial soundness of the utility system.

Cash Management. Cash on hand is invested in obligations of the U.S. Government and its agencies, commercial paper, bankers’ acceptances, certificates of deposit from banks and pooled cash and investment money market funds as permitted by State law and city policy. The investment policy was revised by City Council in January 2005 requiring benchmark comparisons for all investments and limiting the term of allowable investments. The average yield on investments for the year ended June 30, 2008, excluding the Pension Trust Fund, was 4.383 percent (compared to an average of 4.313 percent for the 2006/2007 fiscal year).

Risk Management. As of June 30, 2008, the city participates in a public entity risk pool, the Michigan Municipal Risk Management Authority pool, for insurance coverage for liability, auto, crime and property damage risks.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of BDO Seidman was selected by the city. The auditors’ report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the city for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the twenty-second consecutive year the city has received this award. The Certificate of Achievement recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City of Portage published an easily readable and organized comprehensive annual financial report that conforms to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

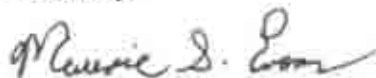
A Certificate of Achievement is valid for a period of one year only. It is believed that the current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and will be submitted to the GFOA to determine eligibility for another certificate.

In addition, the city also received the GFOA Award for Distinguished Budget Presentation for the annual budget for fiscal year 2007/2008. In order to qualify for the Distinguished Budget

Presentation Award, the city budget document was judged to be proficient as a policy document, a financial plan, an operations guide and a communication device. This was the twenty-second consecutive year the City of Portage received this award.

Acknowledgments This comprehensive annual financial report indicates the sound financial condition of the City of Portage at June 30, 2008. The preparation of this report could not have been accomplished without the dedicated services of the Finance Department staff. Credit also goes to the Portage City Council for interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Sincerely,



Maurice S. Evans
City Manager



Daniel S. Foecking
Finance Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Portage for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the twenty second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portage
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

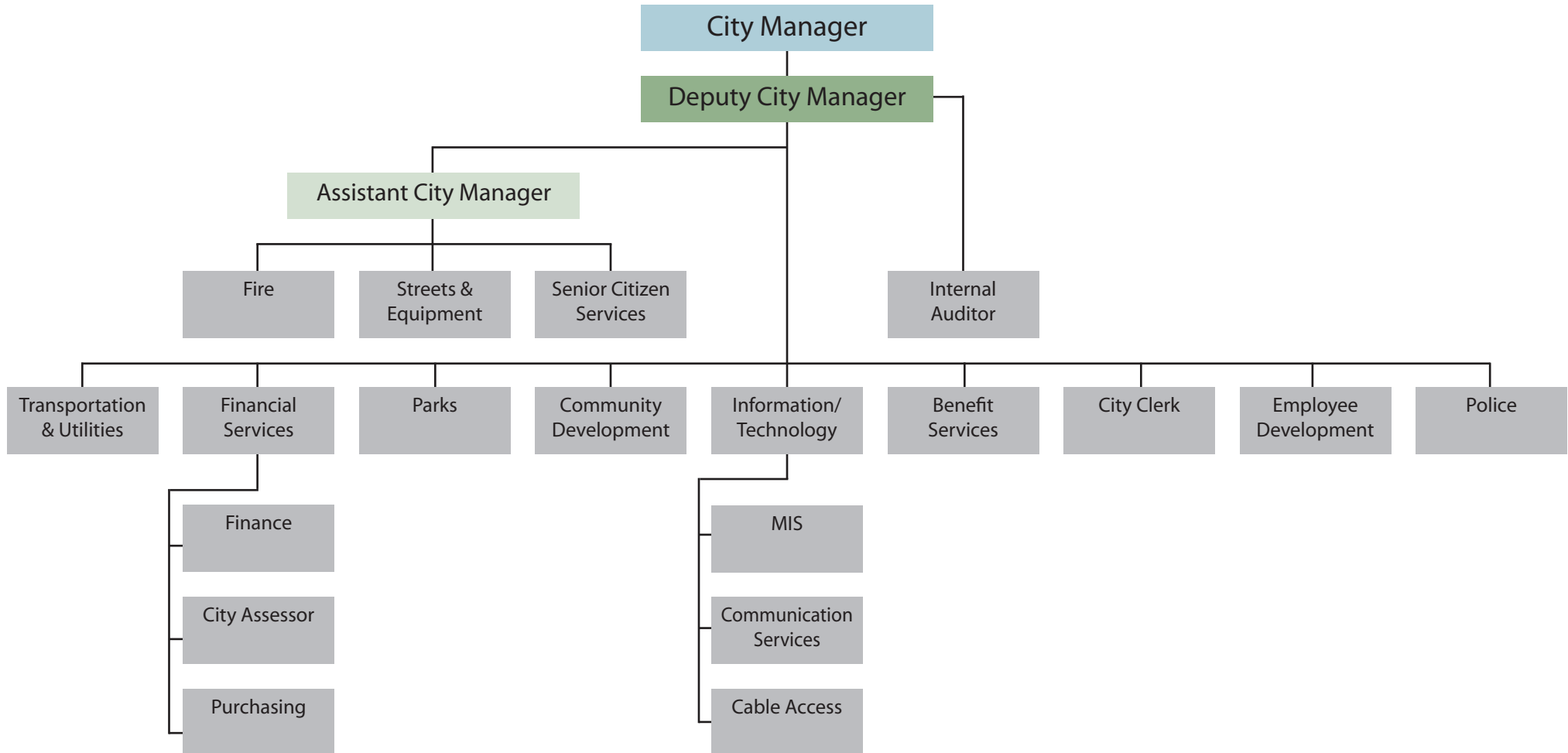
President

Jeffrey R. Enen

Executive Director

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Organizational Chart



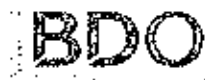
CITY OF PORTAGE, MICHIGAN
List of Elected and Appointed Officials
June 30, 2008

Elected Officials

Mayor	Peter J. Strazdas
Mayor Pro Tempore	Ed Sackley
Council Member	Larry DeShazor
Council Member	Margaret E. O'Brien
Council Member	Claudette Reid
Council Member	Elizabeth Campbell
Council Member	Terry R. Urban

Appointed Officials

City Manager	Maurice S. Evans
Deputy City Manager	Brian B. Bowling
Assistant City Manager	Sean P. McBride
Assistant City Manager for Information Technology	Devin C. Mackinder
City Attorney	Randall Brown
City Clerk	James R. Hudson
Assessor	James C. Bush
Benefit Services Director	Patricia Thompson
Community Development Director	Jeffrey Erickson
Employee Development Director	John R. Boulis
Finance Director	Daniel S. Foecking
Financial Services Director	Robert Luders
Fire Chief	Randolph B. Lawton
Parks and Recreation Director	William M. Deming
Police Chief	Richard J. White
Senior Citizen Services Director	Josephine Arnold
Streets and Equipment Director	Jack G. Hartman
Transportation and Utilities Director	G. Dallas Williams



BDO Seidman, LLP
Accountants and Consultants

211 East Main Street, Suite 350
Kalamazoo, Michigan 49007
269.436.1200 (West 48240, 11)
Fax: 269.436.1201

Independent Auditors' Report

Honorable Mayor and
Members of the City Council and City Manager
City of Portage
Portage, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position and cash flows of its proprietary fund types thereof and the respective budgetary comparisons for the General Fund, Major Streets Fund, and Local Streets Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



BDO Seidman, LLP
Accountants and Consultants

As described in Note 13 to the basic financial statements, the City has implemented Statement No. 43 of the *Governmental Accounting Standards Board, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as of June 30, 2008, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on Pages 6 through 19 and Schedules of Funding Progress on Pages 71 and 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information, except for the introductory section and portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Certified Public Accountants

December 5, 2008



BDO Seidman, LLP
Accountants and Consultants

211 East Water Street, Suite 300
Portage, Michigan 49801
Telephone: (269) 382-6176
Fax: (269) 245-1699

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Governmental Auditing Standards***

Honorable Mayor and
Members of the City Council and City Manager
City of Portage
Portage, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.



BDO Seidman, LLP
Accountants and Consultants

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

December 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS



This section of the City of Portage's (the City) Comprehensive Annual Financial Reports presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, and the City's financial statements that follow this section.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$97,805,918 (net assets). Of this amount, \$16,022,915 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens.

At the close of the current fiscal year, the unreserved fund balance for the general fund was \$3.05 million or 13.36% of total general fund expenditures, including transfers out of \$546,000, while undifferentiated fund balance is 21.16% of total expenditures.

The city has pre-funded its obligations for retiree health care in trusts established for retiree health benefits in advance of the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The City has been able to sustain a savings plan, evidenced by the pre-funding of postemployment benefit obligations in advance of the requirements to do so, and evidenced by increases in unrestricted fund balance to provide funding for future years needs and as a hedge against continued declining revenues. The Administration continues to use financial forecasting to plan for the economics of slower growth, and as an aid in budget development.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consist of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

a. Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets.
- The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include

general government, public safety, streets and highways, and parks and facility management. The business-type activities of the City include the water and sewer utilities.

b. Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental, proprietary and fiduciary funds. Within the governmental and proprietary categories, the emphasis is on the major funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on how cash and other financial assets can readily be converted to available resources and on the available balances left at the year-end. This information may be useful in determining what financial resources are available in the near future to finance the City's programs. Other funds are referred to as non-major funds and are presented as summary data.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

The City's general fund is considered a major fund, and information is presented separately in the governmental fund balance sheet and statements of revenues, expenditures and changes in fund balances. In addition to the other major governmental funds (special assessment, capital improvement, major streets and local streets) the City maintains several individual governmental funds organized according to their type: special revenue funds, debt service funds, and permanent funds. Data from these governmental funds are combined into a single column labeled non-major governmental funds. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers -- either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the water and sewer utilities, each of which are major funds.
- Internal service funds are used to report activities that provide services for many City programs and activities. The City uses internal service funds to account for equipment and certain insurances. Because these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Since the resources of fiduciary funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Comparison of Government-wide and Fund Financial Components. The following chart compares how the City's funds are included in the government-wide and fund financial statements:

Fund Types	Government-wide	Fund Financials
General fund	Governmental	Governmental
Special assessment funds	Governmental	Governmental
Capital projects funds	Governmental	Governmental
Special revenue funds	Governmental	Governmental – non-major
Debt service funds	Governmental	Governmental – non-major
Permanent funds	Governmental	Governmental – non-major
Internal service funds	Governmental	Proprietary
Assets previously reported with General capital assets	Governmental	Excluded
Infrastructure assets	Governmental	Excluded
Liabilities previously reported with general long-term debt	Governmental	Excluded
Water fund	Business-type	Proprietary
Sewer fund	Business-type	Proprietary
Fiduciary funds	Excluded	Fiduciary

Basis of reporting. The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and on the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

c. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the Government-wide Statements

a. Net Assets

The combined net assets of the City were as follows:

Net Assets						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current and other assets	\$ 21,168	\$ 19,787	\$ 6,253	\$ 5,120	\$ 27,421	\$ 24,907
Capital assets	93,546	97,164	93,381	93,096	186,927	190,260
Total assets	114,714	116,951	99,634	98,216	214,348	215,167
Liabilities						
Long-term debt outstanding	72,798	69,884	35,456	27,660	108,254	97,544
Other liabilities	7,351	8,452	937	6,310	8,288	14,762
Total liabilities	80,149	78,336	36,393	33,970	116,542	112,306
Net assets						
Invested in capital assets, net of related debt	17,872	30,047	57,802	65,552	75,674	95,599
Restricted	5,909	6,375	200	200	6,109	6,575
Unrestricted	10,784	2,193	5,239	(1,506)	16,023	687
Total net assets	\$34,565	\$38,615	\$63,241	\$64,246	\$97,806	\$102,861

As noted earlier, net assets may serve as a useful indicator of a government's financial position. One must keep in mind, however, that capital assets and infrastructure are by far the largest category of governmental assets. Depreciation charges, while significant enough to cause a decrease in net assets, are none the less a non-cash charge and merely indicate the relative age and resulting adjusted book value of the assets. It is not a direct reflection of the quality or usefulness of those assets when they are well maintained. Over time, the level of depreciation of certain asset groups may indicate the need for a substantive level of capital investment. Please refer to the information contained in Note 6 to the financial statements, Capital Assets and Infrastructure, as well as the Other Information section of this discussion for further information.

The City has a land mass of approximately 35 square miles and contains 208 acres of parks, 1,732 acres of lakes, 1,555 acres of state game preserve, 131 acres of landscaped boulevard islands, 72 linear miles of major streets, 147 linear miles of local streets, 227 miles of sewer mains, 55 sewer lift stations, and 240 miles of water mains. This makes for a lot of infrastructure and capital assets. In summary, decreases in net assets driven by depreciation charges are troubling only when maintenance and conservation are neglected, and capital investment is not continuing.

For the City, assets exceeded liabilities by \$98 million at the close of the fiscal year, a decline of 5% over the prior year. This is attributable to the ongoing commitment to investing in capital improvements across the City. These investments decrease cash and/or increase debt and depreciate in value over time.

The largest portion of the City's net assets (77.4%) is invested in capital assets (e.g. land, buildings, and equipment), a number that is net of accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens: consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that

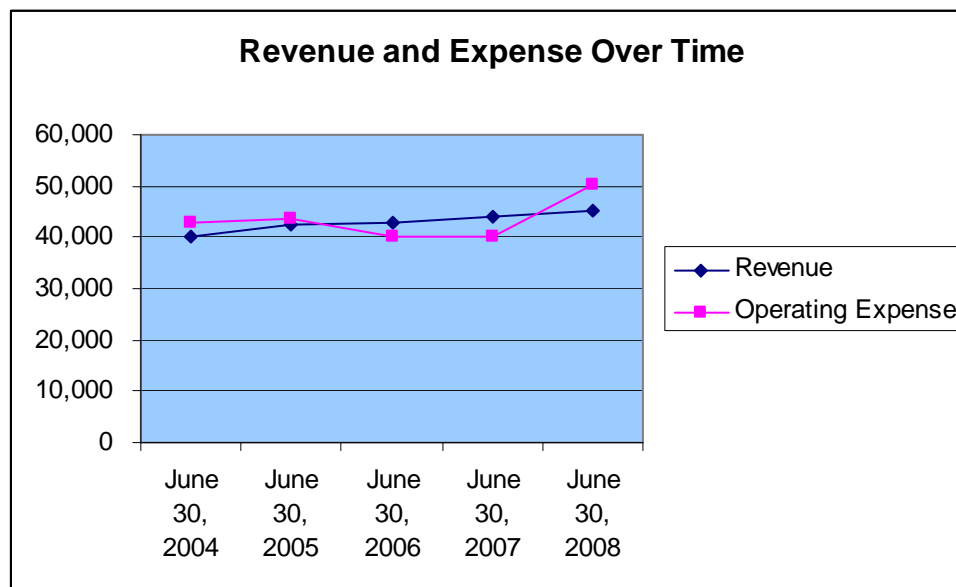
the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net assets, \$6.1 million (6.25%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16 million (16.35%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Government Finance Officers Association recommends that, at a minimum, a government, regardless of size, maintain an unreserved fund balance no less than 5 to 15 percent of regular general fund operating revenue, or no less than one to two months of regular general fund expenditures. An adequate level of unreserved fund balance is necessary to mitigate current and future risks, and to ensure stable tax rates and service levels. The Portage City Council has indicated that it wished to see a 13% fund balance maintained as a guideline based on expenditures. At the end of the current fiscal year, the City is able to report positive balances in net assets for the government as a whole, as well as for business-type activities. It is also able to report an adequate level of fund balance at year-end. From year to year, the City may report a fund balance in excess of 13% as the result of planned savings for expenditures in the near future.

b. Changes in Net Assets

The chart below illustrates actual City-wide revenue and expenditures over the past five fiscal years. Changes in net assets take into account the impact of debt repayment and non-cash depreciation expense. The table following this chart shows that net assets are decreasing. This chart shows that revenue and core operating costs have been relatively flat over the past four years, with expenditures exceeding revenues in the current year. Taken together, investment in capital plays the primary role in driving changes in net assets but generally says very little about operations.



Total net assets of the City decreased by \$5 million in the current year. This is primarily the result of a spike in bonding of capital projects caused by a shift in philosophy. The city had historically only bonded capital projects after completion using its own cash to finance the interim construction process. Because of the negative impact this began to have on cash flow, the city has shifted to bonding in advance of construction. As a result, the city bonded all completed projects in 2007/2008 and commenced bonding in advance of construction in fiscal 2008/2009. This created an increase in current assets and unrestricted net assets by freeing up cash that had been previously tied up in capital projects-in-progress. Governmental net assets decreased by

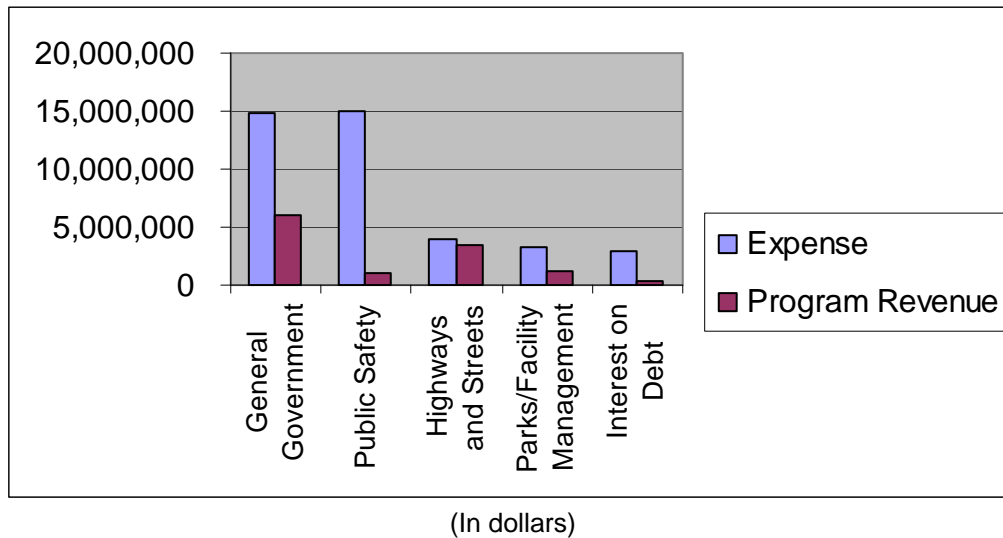
\$4.1 million, which is attributable primarily to increased debt and annual depreciation expense offset slightly by an increase in property tax revenues. The net assets of business-type activities decreased by \$1 million, as the result of changes in fixed assets.

Changes in Net Assets						
(in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	\$ 2,151	\$ 2,360	\$ 9,431	\$ 8,552	\$ 11,582	\$ 10,912
Capital grants	1,495	1,529	-	-	1,495	1,529
Operating grants	4,532	4,370	64	70	4,596	4,440
General revenues:						
Property taxes	21,649	20,042	-	-	21,649	20,042
Interest revenue	482	388	-	-	482	388
Gain/(loss)	50	1,347	-	-	50	1,347
Other general revenues	5,333	5,443	-	117	5,333	5,560
Total revenues	35,692	35,479	9,495	8,739	45,187	44,218
Program expenses						
Legislative	61	49	-	-	61	49
Judicial	49	25	-	-	49	25
General government	5,455	5,581	-	-	5,455	5,581
Public safety	15,078	14,967	-	-	15,078	14,967
Public works	432	440	-	-	432	440
Health and welfare	1,534	1,535	-	-	1,534	1,535
Recreation and cultural	3,364	3,339	-	-	3,364	3,339
Public transportation	-	58	-	-	-	58
Highways and streets	4,026	3,945	-	-	4,026	3,945
Unallocated depreciation	6,874	7,103	-	-	6,874	7,103
Interest on long-term debt	2,756	2,946	-	-	2,756	2,946
Sewer	-	-	6,105	5,351	6,105	5,351
Water	-	-	4,509	4,004	4,509	4,004
Total expenses	39,629	39,988	10,614	9,355	50,243	49,343
Excess (deficiency)						
Before transfers	(3,937)	(4,509)	(1,119)	(616)	(5,056)	(5,125)
Transfers	(114)	(611)	114	611	-	-
Increase (decrease) in net assets	\$ (4,051)	\$ (5,120)	\$ (1,005)	\$ (5)	\$ (5,056)	\$ (5,125)

c. Program Revenues and Expenses - Governmental Activities

The chart below illustrates the City's governmental expense and activity revenues by function: general government, public safety, highways and streets, parks and facility management, and interest on debt. This chart illustrates the degree to which the primary activities of the City are funded through fees, charges, restricted revenue sharing programs, restricted grant funding, and other revenue initiatives. It is clear that very few City services would be possible without tax revenue. Highway and street services appear closest to self-supporting although the revenue in this sector is provided by state of Michigan Act 51 funding derived from fuel taxes. A decline in that revenue has been experienced in recent years, which is a matter of continuing concern over the long term.

Government-wide Program Operating Expenses and Revenues - Governmental Activities



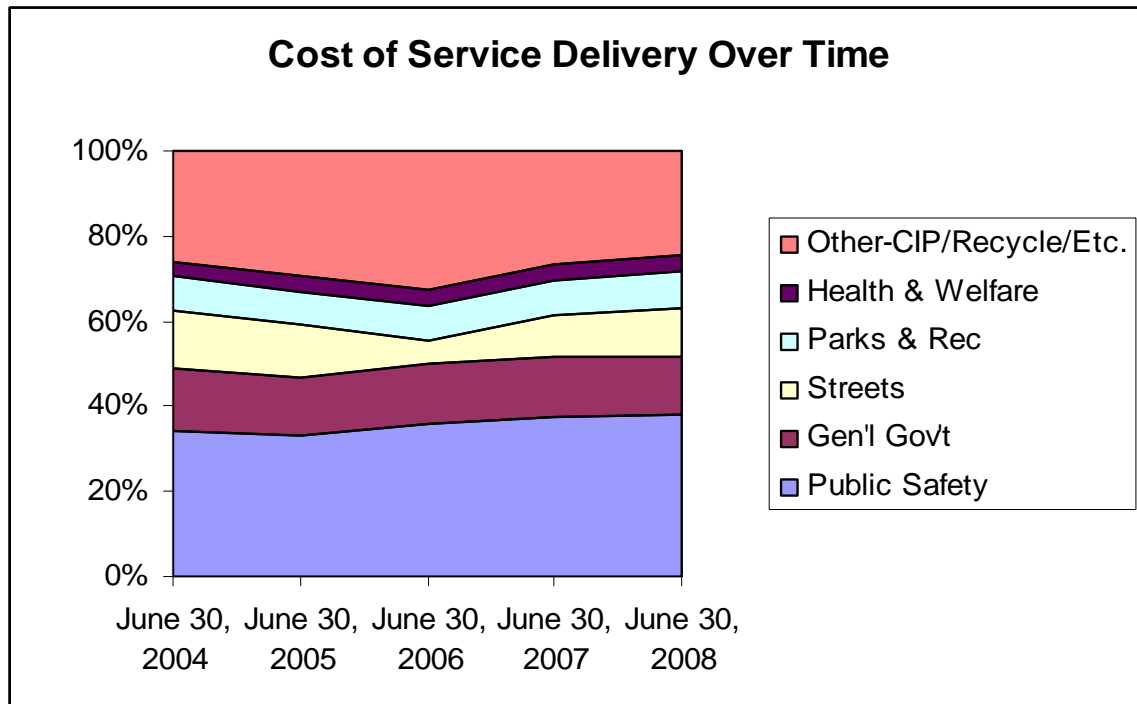
General revenues such as property taxes, fees and charges for services, and unrestricted grants and contributions are not shown by program, but are used to support program activities City-wide. For governmental activities, without regard to program, property taxes are the largest source of revenue, followed by restricted and unrestricted grant and contribution revenue, and charges for services.

Governmental Activities
(in thousands)

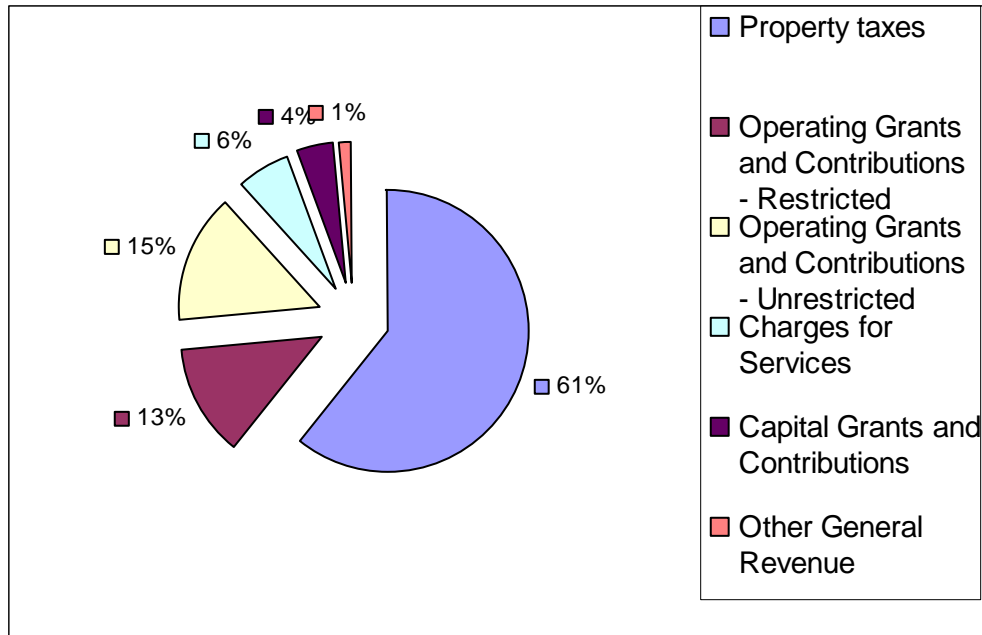
	Total Cost Of Services		Net Cost of Services	
	2008	2007	2008	2007
Public safety	\$15,078	\$14,967	\$14,174	\$13,879
General government	5,455	5,581	5,181	5,396
Highways and streets	4,026	3,945	522	471
Recreation and cultural	3,364	3,339	2,122	2,125
Health and welfare	1,534	1,535	48	(21)
All others	10,172	10,621	9,405	9,879
Total expenses	<u>\$39,629</u>	<u>\$39,988</u>	<u>\$31,452</u>	<u>\$31,729</u>

The governmental activities table above factors in general revenues from property taxes, fees and charges for services. It compares cost and net cost from 2006/2007 to 2007/2008. Costs increased primarily as a result of contractual increases, continued emphasis on street and highway infrastructure expenditure to attract economic development, and the non-cash impact of recognizing depreciation expense. Continued reductions in all intergovernmental revenues, and the continuing decline in the availability and amounts of grant funding are also behind the increase in the net cost of services. Holding the level of the cost of services to prior year levels reflects action taken by City Administration to control variable costs, reduce the number of full time positions through attrition where possible, seek alternative funding sources, and develop long term plans for cyclical infrastructure rehabilitation. Note: negative net cost of service numbers indicate revenue in excess of costs.

The trend of service delivery costs is show below:



Government-wide Total Revenues by Source - Governmental Activities

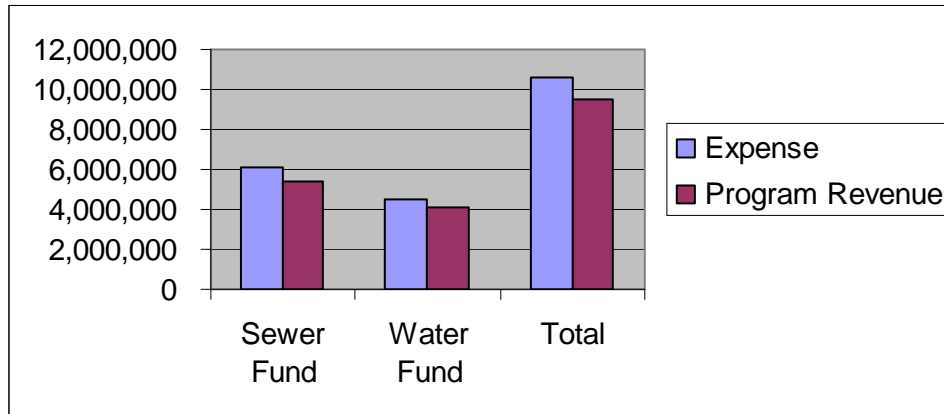


The above chart shows that each City revenue dollar in 2007/2008 consisted of 61% property tax, 13% restricted purpose/use grant funding, 15% unrestricted grant funding, 6% charges for services, 4% capital grants and contributions, and 1% various types of other revenue.

d. Program Revenues and Expenses -- Business-type Activities

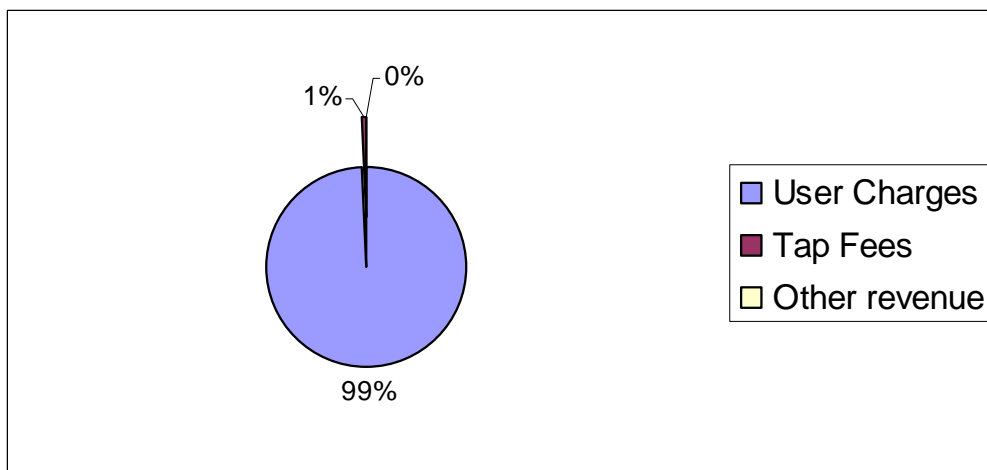
As shown in the following chart, combined operating expenses exceeded combined operating revenues for the business-type activities. While leaving an adequate fund balance as directed by City Council, and making use of fund balance rather than imposing widely varying and volatile rates for user fees was the strategic direction implemented by City Administration to continue operations, maintenance and improvement of the City utility systems. Design work is underway as the beginning stage for a new arsenic removal facility to bring the water utility into compliance with federally mandated guidelines. This improvement will also remove iron and manganese, and guarantee adequate capacity to meet increased demand and fire flow requirements for the future.

Government-wide Operating Expenses and Program Revenues - Business-type Activities
(In dollars)



For business-type activities, charges for services provide the largest percentage of revenues (99%). Capacity charge revenue ("tap fees" \$63,904) was formerly treated as contributed capital for financial reporting purposes. While less than the prior year, the continued level of investment indicates continuing growth in utility infrastructure that will, in turn, produce additional recurring revenue in the form of utility billings. Annual production was up for the year, the impact of cyclical weather-based demand.

Government-wide Operating Revenue by Source - Business-type Activities



Financial Analysis of the Government's Fund Level Statements

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

a. Governmental funds

The City reports the following types of governmental funds: the general fund, special assessments fund, capital improvement fund, and permanent funds. The focus of the City's governmental funds is to provide information on the near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$3.05 million, while total fund balance was \$4.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.36% of total general fund expenditures (including transfers of \$546,000), and total fund balance represents 21.2% of expenditures.

The fund balance in the general fund increased by \$542,989 during the fiscal year. Conservative action has continued to control operating costs in light of the continuing reductions in revenue from the state of Michigan and other intergovernmental sources, and the effects on operational savings offset to a degree declines in building permit and fee revenue for the year. Revenue sharing continues to be systematically reduced by economic conditions and by state budget actions. The effects of the state economy and the market impact of the sub-prime mortgage crisis only began to be seen as a flag on the horizon in the 2006/2007 fiscal year, while 2007/2008 reflects the significant slowing of development and construction in the 38% decline in building permit, planning, zoning and site plan fees. These declines reflect the slowing rate of tax base growth and the resulting decline in tax revenue growth. The growth in tax revenues in 2007/2008 is not a result of tax rate increases, as the 2007/2008 combined tax rate is the same as in 2006/2007. The increase in tax revenue in 2007/2008 is the direct result of growth in tax base from personal property investment, completion of commercial development property, and inflation rate adjustments under the Headlee amendment, not from growth in property value.

The fund balance of the special assessment fund decreased on the basis of debt service payments made in excess of current inflows. This utilization of fund balance mitigates the timing differences between the receipt of advance payoffs of assessments made by citizens and the bond payment schedule. On November 7, 2006, voters approved an amendment to the City Charter restricting the right of the City to levy special assessments for the construction or reconstruction of streets, and amended the City Charter to permanently levy up to one mill (one tenth of one percent of the assessed value of all real and personal property in the City) dedicated to the construction or reconstruction of streets under the City's jurisdiction. No new special assessments were entered into for street construction or reconstruction during the fiscal year ended June 30, 2008. The first tax levy for municipal street construction/reconstruction was assessed on July 1, 2007. As a result of these changes, the fund balance of the special assessment fund is expected to continue to decline over time. Special assessments are still utilized for the extension of water and sewer service to the few remaining districts of the City without them.

The capital improvement fund balance increased by \$2,405,061 as the result of the completion of a number of capital projects, and the bonding of all completed capital projects that had not yet been bonded. Historically, bonding for the cost of completed assets has been done in arrears. With the negative effect that this practice has had on cash flow, the City has changed its policy to

one of bonding in advance of construction. The 2008/2009 construction season was the first one operated under this philosophy.

The Major and Local Streets funds are displayed as major funds in the financial statements at the direction of the State of Michigan. Major Streets Fund showed a decrease in fund balance of \$547,581 as the result of the planned spending of fund balance on road improvements in light of the reduction of state Act 51 funding. Local Streets Fund showed an increase of \$181,327 as an incremental accumulation of funds to be used for future local street improvements. Cost controls are in place, and an ongoing analysis of operations is underway with the goal of making operating costs more effective and efficient.

b. Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Overall, billed revenue was up over the prior year.

- Sewer fund net assets decreased by \$605,712. Revenues levels reflect actual production was up for the year. Expenses were up as well. Wastewater treatment costs charged by the regional facility escalate continually. Contractual costs drive this budget.
- Water fund net assets decreased by \$399,133 for the many of the same reasons as the Sewer fund. Revenues levels reflect actual production was up for the year. Overall, contractual and debt service costs drive this budget.

Sewer and Water fund user fees are controlled by a five year plan reviewed and fine-tuned on an annual basis in order to provide fair and stable fees to users, and to provide an adequate level of fund balance, debt coverage, and capital investment. The current levels of net assets were anticipated in the planning process.

c. Fiduciary funds

The City is the trustee, or *fiduciary*, for certain of its employee pension plans. It is also responsible for other assets that - because of trust arrangements - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in the Supplemental Information section. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are only used for their intended purposes.

Other Information

a. General fund budgetary highlights

The final amended expenditure budget for the general fund was \$1,276,247 greater than the original budget. This increase was the result of encumbrances carried forward from previous budget year appropriations. The amended budget reflects the reallocation of resources within the fund during the year for cost controls initiated by the City Manager.

The amended revenue budget for the general fund was \$266,714 more than the original budget reflecting grants awarded, recreation fees, and tax related penalty income, offset by a reduction in expected police service fees. The general fund fell only \$326,285 short of achieving its revenue budget for the year; a variance of less than 2%.

b. Capital assets

The City's capital assets for governmental and business-type activities as of June 30, 2008, amount to \$186,927,095 (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, and infrastructure. The total increase in the City's capital assets, before depreciation, for the current fiscal year was \$6,626,489.

Capital asset balances are as follows:

**Capital Assets at Year-end
(net of depreciation, in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 9,281	\$ 8,591	\$ 317	\$ 317	\$ 9,598	\$ 8,908
Land improvements	3,092	3,227	31	37	3,123	3,264
Buildings	8,697	8,942	402	429	9,099	9,371
Machinery and equipment	545	658	149	148	694	806
Vehicles	1,140	1,808	-	-	1,140	1,808
Water / sewer system	-	-	92,482	92,165	92,482	92,165
Infrastructure	70,791	73,938	-	-	70,791	73,938
Totals	\$ 93,546	\$ 97,164	\$ 93,381	\$ 93,096	\$186,927	\$190,260

Major capital asset events during the current fiscal year included the following:

- Governmental capital assets being depreciated increased by \$4.5 million, \$3.9 million of which was due to street infrastructure asset additions.
- Business-type activities purchased or completed construction on depreciable capital assets of \$1.8 million, consisting of the replacement and extension of sewer and water lines, and well renovation costs.

More detailed information regarding capital assets can be found in Note 6 to the financial statements.

c. Debt Administration

At the end of the current fiscal year, the City reported \$105.3 million in outstanding bonded debt. Of this amount, \$104 million is general obligation debt backed by the full faith and credit of the City, \$1.1 million is revenue bonds. In addition, the City reported other long-term obligations of \$3 million. Additional information can be found in Note 8 to the financial statements.

**Outstanding Obligations at Year-end
(in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General Obligation Bonds (backed by the city)	\$ 69,921	\$ 67,117	\$ 34,229	\$ 5,878	\$ 104,150	\$ 72,995
Revenue Bonds (backed by specific revenues)	-	-	1,105	21,665	1,105	21,665
Totals	\$ 69,921	\$ 67,117	\$ 35,334	\$ 27,543	\$ 105,255	\$ 94,660

During fiscal year 2008, the City's total long-term obligations increased by \$10.6 million, net of scheduled payments. The City issued some new debt, and the issues included:

- Capital Improvement Refunding Bond issue of \$13,890,000, used to refund existing utility revenue bonds of higher interest rate and similar amount.
- Capital Improvement Bond issue of \$7,500,000 used to fund 7 water related projects, 3 sewer projects, purchase of vehicles for the Equipment Fund, with the remainder (\$5 million) funding 40 road, park, and technology projects.

- Capital Improvement Bond issue of \$11,850,000 used primarily to fund construction of an arsenic removal facility for the water system (\$5.7 million), along with 24 smaller water, sewer, road, and facilities projects.

The City continues to maintain excellent credit ratings on debt issues. The City has maintained an AA rating from Standard and Poor's since November, 2003, at which time it was upgraded from AA-.

d. Economic Factors and Next Year's Budget and Rates

The City Manager and the City's elected officials considered many factors when setting the fiscal year 2007/2008 budget. Commercial growth has continued along the retail corridor through this fiscal year while the residential sector fell silent along with the rest of the country. The signs of economic downturn had been clear on the horizon, which did not make the arriving doldrums any more welcome. In late 2002, the City began a plan to weather the expected future economic uncertainty. This initiative has continued and the work completed and savings put by are smoothing the City's negotiation of the continuing decline in state source revenues along with what now appear to be recessionary times of unknown duration. The City has continued aggressive cost containment measures, with City departments identifying one-time and on-going cost savings on an annual basis. City management has continued to reduce costs through implementation of process improvements for greater efficiencies, and staff reduction through reorganization when attrition provides opportunities. The City continues to pursue an aggressive course of economic diversification and development, as well as an emphasis on maintaining and improving its infrastructure, as a means to grow tax base and not rely solely on cost cutting alone to weather rough economic times. As of the date of this audit report, the City is feeling the repercussions of the slowing economy, the impacts of the sub-prime mortgage crisis, and the housing construction decline. The allowable inflation cost adjustment factor for fiscal 2009/2010 tax calculations is expected to be zero at the very same time as paradoxically large increases in the costs of energy, goods and services are being experienced and forecast. When you factor in the existing business climate in the state of Michigan, a grim outlook would be expected. The 2009/2010 budget currently under development expects to deliver the same level of service that citizens count on without layoffs or tax increases. An effective program of budget monitoring, and financial forecasting as inputs to real time decision-making is providing the basis necessary to plan, act and re-engineer how the City operates in order to continue to provide the best value in government for its citizens.

e. Requests for information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the finance department of the City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002, or 269-329-4451, or on the web at <http://www.portagemi.gov>.

CITY OF PORTAGE, MICHIGAN
Statement of Net Assets
June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and investments	\$ 15,091,291	\$ 2,758,814	\$ 17,850,105	\$ 20,231
Receivables, net	5,177,224	2,715,096	7,892,320	-
Prepaid items and other assets	899,138	579,613	1,478,751	-
Restricted assets:				
Permanently retracted:				
Cash	-	200,000	200,000	-
Land and rights of way	13,729,206	317,329	14,046,535	-
Capital assets, net of depreciation	79,816,724	93,063,836	172,880,560	-
Total assets	114,713,583	99,634,688	214,348,271	20,231
Liabilities				
Accounts payable and accrued expenses	6,319,951	795,197	7,115,148	-
Unearned revenue	1,031,453	141,672	1,173,125	-
Long-term liabilities:				
Due within one year	5,856,004	1,579,747	7,435,751	-
Due in more than one year	66,941,526	33,876,803	100,818,329	-
Total liabilities	80,148,934	36,393,419	116,542,353	-
Net assets				
Invested in capital assets, net of related debt	23,625,217	58,046,878	81,672,095	-
Restricted for:				
Debt service	5,070,330	200,000	5,270,330	-
Nonexpendable	838,738	-	838,738	-
Unrestricted	5,030,364	4,994,391	10,024,755	20,231
Total net assets	\$ 34,564,649	\$ 63,241,269	\$ 97,805,918	\$ 20,231

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN
Statement of Activities
Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Economic Dev. Corp.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
Legislative	\$ 60,906	\$ -	\$ -	\$ -	\$ (60,906)	\$ -	\$ (60,906)	\$ -
Judicial	49,063	37,316	-	-	(11,747)	-	(11,747)	-
General government	5,454,813	136,083	137,993	-	(5,180,737)	-	(5,180,737)	-
Public safety	15,078,463	746,782	157,477	-	(14,174,204)	-	(14,174,204)	-
Public works	431,853	-	123,657	197,337	(110,859)	-	(110,859)	-
Health and welfare	1,533,925	52,042	243,277	1,286,191	47,585	-	47,585	-
Economic development	-	-	47,392	-	47,392	-	47,392	-
Recreation and cultural	3,364,639	922,620	308,864	11,449	(2,121,706)	-	(2,121,706)	-
Highways and streets	4,026,039	-	3,503,609	-	(522,430)	-	(522,430)	-
Unallocated depreciation expense	6,874,195	-	-	-	(6,874,195)	-	(6,874,195)	-
Interest on long-term debt	2,755,768	256,130	9,559	-	(2,490,079)	-	(2,490,079)	-
Total governmental activities	39,629,664	2,150,973	4,531,828	1,494,977	(31,451,886)	-	(31,451,886)	-
Business-type activities:								
Sewer	6,105,413	5,355,676	41,075	-	-	(708,662)	(708,662)	-
Water	4,508,598	4,075,935	22,829	-	-	(409,834)	(409,834)	-
Total business-type activities	10,614,011	9,431,611	63,904	-	-	(1,118,496)	(1,118,496)	-
Total primary government	50,243,675	11,582,584	4,595,732	1,494,977	(31,451,886)	(1,118,496)	(32,570,382)	-
Component unit								
Economic Development Corporation	-	-	938	-	-	-	-	938
Total component units	\$ -	\$ -	\$ 938	\$ -	-	-	-	938
General revenues:								
Property taxes					21,649,220	-	21,649,220	-
Grants and contributions not restricted to specific programs					5,333,590	-	5,333,590	-
Unrestricted investment earnings					481,903	(40)	481,863	-
Gain on sale of capital assets					50,146	-	50,146	-
Transfers					(113,691)	113,691	-	-
Total general revenues and transfers					27,401,168	113,651	27,514,819	-
Change in net assets					(4,050,718)	(1,004,845)	(5,055,563)	938
Net assets - beginning					38,615,367	64,246,114	102,861,481	19,293
Net assets - ending					\$ 34,564,649	\$ 63,241,269	\$ 97,805,918	\$ 20,231

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Balance Sheet Governmental Funds June 30, 2008

	General Fund	Special Assessments Fund	Capital Projects Fund	Major Streets Fund	Local Streets Fund	Nonmajor Governmental Funds	Total
ASSETS							
Cash and investments	\$ 4,963,639	\$ 3,567,955	\$ 1,467,567	\$ -	\$ 630,097	\$ 3,700,535	\$ 14,329,793
Accounts receivable	101,132	-	-	-	-	1,283,537	1,384,669
Delinquent taxes receivable	45,070	-	-	-	-	-	45,070
Special assessments receivable	-	2,685,482	-	-	-	-	2,685,482
Due from other governments	293,864	55,478	71,303	415,769	126,832	98,757	1,062,003
Prepaid costs	515,915	-	-	18,205	13,560	108,990	656,670
Total assets	<u>\$ 5,919,620</u>	<u>\$ 6,308,915</u>	<u>\$ 1,538,870</u>	<u>\$ 433,974</u>	<u>\$ 770,489</u>	<u>\$ 5,191,819</u>	<u>\$ 20,163,687</u>
LIABILITIES							
Accounts payable	\$ 321,218	\$ 916	\$ 1,362,403	\$ 104,331	\$ 26,235	\$ 14,376	\$ 1,829,479
Checks issued against future deposits	-	-	-	244,956	-	77,178	322,134
Accrued compensation	582,599	-	-	25,562	18,420	17,047	643,628
Interest payable	-	-	-	-	-	48,437	48,437
Deferred revenue	3,000	2,685,482	-	-	-	1,028,453	3,716,935
Deposits payable	174,757	-	8,474	-	-	25,000	208,231
Total liabilities	<u>1,081,574</u>	<u>2,686,398</u>	<u>1,370,877</u>	<u>374,849</u>	<u>44,655</u>	<u>1,210,491</u>	<u>6,768,844</u>
FUND BALANCE							
Reserved for encumbrances	1,220,019	-	-	129,022	23,196	176,346	1,548,583
Reserved for prepaid costs	515,915	-	-	18,205	13,560	4,053	551,733
Reserved for imprest cash funds	5,100	-	-	-	-	-	5,100
Reserved for emergency preparedness	1,000	-	-	-	-	-	1,000
Reserved for public safety training	42,004	-	-	-	-	-	42,004
Reserved for uncompleted projects	-	-	-	-	-	125,934	125,934
Reserved for debt service	-	-	-	-	-	2,311,480	2,311,480
Reserved for cemetery maintenance	-	-	-	-	-	838,738	838,738
Reserved for loans	-	-	-	-	-	5,532	5,532
Unreserved and undesignated, reported in:							
General fund	3,054,008	-	-	-	-	-	3,054,008
Capital projects	-	-	167,993	-	-	-	167,993
Debt service funds	-	3,622,517	-	-	-	-	3,622,517
Special revenue funds	-	-	-	(88,102)	689,078	519,245	1,120,221
Total fund balance	<u>4,838,046</u>	<u>3,622,517</u>	<u>167,993</u>	<u>59,125</u>	<u>725,834</u>	<u>3,981,328</u>	<u>13,394,843</u>
Total liabilities and fund balance	<u>\$ 5,919,620</u>	<u>\$ 6,308,915</u>	<u>\$ 1,538,870</u>	<u>\$ 433,974</u>	<u>\$ 770,489</u>	<u>\$ 5,191,819</u>	<u>\$ 20,163,687</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
June 30, 2008

Fund balances - total governmental funds	\$ 13,394,843
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	227,952,111
Subtract: accumulated depreciation	(135,951,115)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred special assessments	2,685,482
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Internal service funds are used by management to charge the costs of insurance and equipment to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	669,479
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable, net of internal service fund debt	(68,582,650)
Subtract: compensated absences and other long-term liabilities, net of internal service fund compensated absences	(2,838,915)
Subtract: accrued interest on long-term liabilities	(2,764,586)

Net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 34,564,649</div>
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The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2008

	General Fund	Special Assessments Fund	Capital Projects Fund	Major Streets Fund	Local Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes and special assessments	\$ 15,981,462	\$ 582,387	\$ 3,992,217	\$ -	\$ -	\$ 2,973,181	\$ 23,529,247
Licenses and permits	394,438	-	-	-	-	570,470	964,908
Intergovernmental	3,947,140	-	-	2,712,710	774,016	288,114	7,721,980
Charges for services	2,127,787	-	-	-	-	149,172	2,276,959
Interest and rents	552,598	280,217	61,937	11,026	4,418	364,003	1,274,199
Other	292,083	-	104,250	-	-	96,609	492,942
Total revenues	<u>23,295,508</u>	<u>862,604</u>	<u>4,158,404</u>	<u>2,723,736</u>	<u>778,434</u>	<u>4,441,549</u>	<u>36,260,235</u>
EXPENDITURES:							
Current:							
Legislative	60,906	-	-	-	-	-	60,906
Judicial	49,063	-	-	-	-	-	49,063
General government	4,981,201	-	-	-	-	45,005	5,026,206
Public safety	14,308,775	-	-	-	-	49,186	14,357,961
Public works	373,810	-	-	-	-	-	373,810
Health and welfare	186,100	-	-	-	-	1,397,983	1,584,083
Recreation and cultural	2,353,171	-	-	-	-	602,136	2,955,307
Highways and streets	-	-	-	2,002,894	1,424,684	-	3,427,578
Capital outlay	-	-	5,680,736	-	-	-	5,680,736
Debt service:							
Principal	-	930,000	-	-	-	3,327,880	4,257,880
Interest and fiscal charges	-	298,731	-	-	-	2,601,544	2,900,275
Total expenditures	<u>22,313,026</u>	<u>1,228,731</u>	<u>5,680,736</u>	<u>2,002,894</u>	<u>1,424,684</u>	<u>8,023,734</u>	<u>40,673,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>982,482</u>	<u>(366,127)</u>	<u>(1,522,332)</u>	<u>720,842</u>	<u>(646,250)</u>	<u>(3,582,185)</u>	<u>(4,413,570)</u>
OTHER FINANCING SOURCES (USES):							
Issuance of debt	-	-	6,034,310	-	-	1,055,000	7,089,310
Issuance of refunding bonds	-	-	-	-	-	2,925,000	2,925,000
Transfers in	106,507	-	2,696,583	2,077	848,077	4,866,353	8,519,597
Payment to refunded bonds escrow agent	-	-	-	-	-	(2,825,000)	(2,825,000)
Transfers out	(546,000)	-	(4,803,500)	(1,270,500)	(20,500)	(1,994,865)	(8,635,365)
Net other financing sources (uses)	<u>(439,493)</u>	<u>-</u>	<u>3,927,393</u>	<u>(1,268,423)</u>	<u>827,577</u>	<u>4,026,488</u>	<u>7,073,542</u>
Net change in fund balances	542,989	(366,127)	2,405,061	(547,581)	181,327	444,303	2,659,972
Fund balances - beginning	<u>4,295,057</u>	<u>3,988,644</u>	<u>(2,237,068)</u>	<u>606,706</u>	<u>544,507</u>	<u>3,537,025</u>	<u>10,734,871</u>
Fund balances - ending	<u>\$ 4,838,046</u>	<u>\$ 3,622,517</u>	<u>\$ 167,993</u>	<u>\$ 59,125</u>	<u>\$ 725,834</u>	<u>\$ 3,981,328</u>	<u>\$ 13,394,843</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 2,659,972

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	5,107,084
Subtract: retired/sold assets (net of internal service)	(197,877)
Subtract: depreciation expense	(8,447,367)
Add: accumulated depreciation on retired/sold assets (net of internal service)	176,680

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	4,257,880
Subtract: change in Special Assessments deferred revenue	(541,610)
Subtract: issuance of debt	(10,289,028)
Add: debt issued to internal service fund	274,718
Add: payments to refunded bonds escrow agent	2,825,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: prior year accrued interest on bonds	2,970,410
Subtract: current year accrued interest on bonds	(2,764,586)
Subtract: increase in the accrual of compensated absences	(109,164)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds	38,841
Subtract: interest expense from governmental internal service funds	(61,310)
Add: net operating income from governmental activities	
accounted for in internal service funds	47,562
Add: internal activities (transfers) accounted for in internal service funds	2,077

Change in net assets of governmental activities	\$ (4,050,718)
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The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Fiscal Year Ended June 30, 2008

REVENUES:	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
Taxes:				
Property tax collections	\$ 14,709,900	\$ 14,869,641	\$ 14,979,939	\$ 110,298
Penalty and interest	60,000	60,000	110,106	50,106
Administration fees	860,000	884,000	891,417	7,417
Licenses and permits:				
Building fees and permits	660,500	660,500	366,178	(294,322)
Liquor licenses	29,000	29,000	27,760	(1,240)
Other permits	-	-	500	500
Federal grants	-	18,848	17,840	(1,008)
State Grants:				
Revenue sharing	3,924,741	3,924,741	3,835,434	(89,307)
Criminal justice grants	10,500	10,500	27,841	17,341
Parks grants	2,500	2,500	2,500	-
Senior Center grants	49,325	49,325	32,707	(16,618)
Other state grants	200	200	-	(200)
Contribution from local units	29,338	29,338	30,818	1,480
Charges for services:				
Recreation fees	215,000	228,000	231,948	3,948
Police service fees	237,600	237,600	283,234	45,634
Planning, zoning and site fees	86,000	86,000	38,334	(47,666)
Accounting and management	1,478,700	1,478,700	1,478,700	-
Cemetery	53,000	53,000	54,866	1,866
Court Cost Reimbursement	40,500	40,500	37,316	(3,184)
Senior Center	1,000	1,000	1,624	624
Other	1,500	1,500	1,765	265
Fines and forfeits	5,000	5,000	-	(5,000)
Interest and rents:				
Interest on investments	500,000	500,000	381,125	(118,875)
Rental income	157,000	157,000	171,473	14,473
Other:				
Reimbursements:				
Senior Center	151,200	151,200	147,067	(4,133)
Other reimbursements	800	800	18,926	18,126
Property sales	40,000	40,000	50,146	10,146
Donations	22,500	22,500	19,500	(3,000)
Miscellaneous	29,275	80,400	56,444	(23,956)
Total revenues	23,355,079	23,621,793	23,295,508	(326,285)

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CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (continued) Fiscal Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
EXPENDITURES:				
Judicial:				
District Court	\$ 40,500	\$ 62,918	\$ 49,063	\$ 13,855
Legislative:				
City Council	49,600	62,001	60,906	1,095
General Government:				
City Manager	791,374	793,412	746,288	47,124
Finance:				
Accounting	319,778	320,020	264,067	55,953
Financial management	565,544	576,731	342,509	234,222
Treasury	232,993	236,409	216,675	19,734
City assessor:				
Assessor	652,355	637,437	544,149	93,288
Board of review	28,977	28,977	26,539	2,438
City attorney	202,728	202,728	201,812	916
City clerk:				
Elections	147,504	162,351	125,672	36,679
City clerk	143,469	130,082	128,743	1,339
Records management	58,894	58,779	52,530	6,249
Human resources:				
Employee development	530,760	535,898	459,580	76,318
Benefit services	428,678	455,810	385,684	70,126
Information services:				
Management information services	697,920	829,633	653,426	176,207
Communication services	19,795	70,195	37,424	32,771
Purchasing:				
Purchasing	128,136	126,374	113,668	12,706
Risk management	59,376	59,376	55,811	3,565
Buildings	568,388	640,965	531,806	109,159
Cemeteries	112,195	113,476	94,818	18,658
Public safety:				
Police:				
Administration	896,903	914,266	848,359	65,907
Youth services	414,734	416,381	385,694	30,687
Investigation	873,913	878,682	809,977	68,705
Patrol	5,088,304	5,614,582	4,993,444	621,138
Training	207,324	218,578	218,725	(147)
Central communications	1,021,829	1,038,169	947,282	90,887
911 Call Center	109,566	109,566	104,679	4,887
Records	477,313	488,003	455,575	32,428
Drug law enforcement	207,202	207,384	189,028	18,356
Fire:				
Administration	638,303	684,488	557,141	127,347
Operations	3,662,157	3,819,465	3,480,689	338,776
On-call	125,582	99,377	88,206	11,171
Emergency operations	3,775	1,775	1,075	700
Fire marshal	110,651	110,284	105,061	5,223
Training	122,378	114,965	110,688	4,277

continued...

CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (continued) Fiscal Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
EXPENDITURES (continued):				
Community development:				
Building services	\$ 507,306	\$ 557,659	\$ 516,580	\$ 41,079
Planning/community development	297,135	296,277	250,639	45,638
Neighborhood services	281,781	286,816	245,933	40,883
Public works:				
Street lighting	401,000	403,893	373,810	30,083
Health and welfare:				
Human services	176,850	198,100	186,100	12,000
Recreation and cultural:				
Senior citizen center	450,402	460,761	408,337	52,424
Recreation	308,278	342,273	309,643	32,630
Parks	1,710,218	1,782,799	1,635,191	147,608
Transportation subsidies	-	-	-	-
Total expenditures	<u>23,871,868</u>	<u>25,148,115</u>	<u>22,313,026</u>	<u>2,835,089</u>
Excess of revenues over expenditures	<u>(516,789)</u>	<u>(1,526,322)</u>	<u>982,482</u>	<u>2,508,804</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Cable TV Fund	79,507	79,507	79,507	-
Cemetery Permanent Fund	27,000	27,000	27,000	-
Transfers out:				
Local Street Fund	<u>(546,000)</u>	<u>(546,000)</u>	<u>(546,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(439,493)</u>	<u>(439,493)</u>	<u>(439,493)</u>	<u>-</u>
Net change in fund balance	(956,282)	(1,965,815)	542,989	2,508,804
Fund balance - beginning	<u>4,295,057</u>	<u>4,295,057</u>	<u>4,295,057</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,338,775</u>	<u>\$ 2,329,242</u>	<u>\$ 4,838,046</u>	<u>\$ 2,508,804</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Major Streets Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUES				
Intergovernmental:				
State grants	\$ 2,862,889	\$ 2,862,889	\$ 2,712,710	\$ (150,179)
Interest on investments	18,000	18,000	11,026	(6,974)
Total revenues	<u>2,880,889</u>	<u>2,880,889</u>	<u>2,723,736</u>	<u>(157,153)</u>
EXPENDITURES				
Highways and streets:				
Routine maintenance	881,479	893,906	852,953	40,953
Traffic services	469,018	600,766	498,140	102,626
Winter maintenance	469,607	480,488	467,736	12,752
Administration	185,141	197,811	184,065	13,746
Total expenditures	<u>2,005,245</u>	<u>2,172,971</u>	<u>2,002,894</u>	<u>170,077</u>
Excess (deficiency) of revenues over expenditures	<u>875,644</u>	<u>707,918</u>	<u>720,842</u>	<u>12,924</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Cable TV Fund	2,077	2,077	2,077	-
Transfers out:				
Local Street Fund	(300,000)	(300,000)	(300,000)	-
Sewer Fund	(20,500)	(20,500)	(20,500)	-
Capital Improvement Funds	<u>(950,000)</u>	<u>(950,000)</u>	<u>(950,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>(1,268,423)</u>	<u>(1,268,423)</u>	<u>(1,268,423)</u>	<u>-</u>
Net change in fund balances	(392,779)	(560,505)	(547,581)	12,924
Fund balances - beginning	<u>606,706</u>	<u>606,706</u>	<u>606,706</u>	<u>-</u>
Fund balances - ending	<u>\$ 213,927</u>	<u>\$ 46,201</u>	<u>\$ 59,125</u>	<u>\$ 12,924</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Local Streets Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUES				
Intergovernmental:				
State grants	\$ 823,878	\$ 823,878	\$ 774,016	\$ (49,862)
Interest on investments	2,500	2,500	4,418	1,918
Total revenues	<u>826,378</u>	<u>826,378</u>	<u>778,434</u>	<u>(47,944)</u>
EXPENDITURES				
Highways and streets:				
Routine maintenance	996,799	996,799	795,062	201,737
Traffic services	82,675	76,384	50,235	26,149
Winter maintenance	465,492	476,818	453,763	23,055
Administration	170,657	174,023	125,624	48,399
Total expenditures	<u>1,715,623</u>	<u>1,724,024</u>	<u>1,424,684</u>	<u>299,340</u>
Excess (deficiency) of revenues over expenditures	<u>(889,245)</u>	<u>(897,646)</u>	<u>(646,250)</u>	<u>251,396</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	546,000	546,000	546,000	-
Cable TV Fund	2,077	2,077	2,077	-
Transfers out:				
Sewer Operating Fund	<u>(20,500)</u>	<u>(20,500)</u>	<u>(20,500)</u>	<u>-</u>
Net other financing sources (uses)	<u>827,577</u>	<u>827,577</u>	<u>827,577</u>	<u>-</u>
Net change in fund balances	(61,668)	(70,069)	181,327	251,396
Fund balances - beginning	<u>544,507</u>	<u>544,507</u>	<u>544,507</u>	<u>-</u>
Fund balances - ending	<u>\$ 482,839</u>	<u>\$ 474,438</u>	<u>\$ 725,834</u>	<u>\$ 251,396</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Statement of Net Assets Proprietary Funds

June 30, 2008

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 2,073,058	\$ 685,756	\$ 2,758,814	\$ 1,083,632
Restricted cash and investments:				
Revenue bonds	100,000	100,000	200,000	-
Accounts receivable	1,410,538	1,050,253	2,460,791	-
Due from other governments	-	3,127	3,127	
Inventory	-	-	-	176,708
Prepaid costs	119,503	460,110	579,613	65,760
Current portion of hookup charges receivable	24,585	12,677	37,262	-
Total current assets	<u>3,727,684</u>	<u>2,311,923</u>	<u>6,039,607</u>	<u>1,326,100</u>
Noncurrent assets:				
Hook-up charges receivable (net of current portion)	129,074	84,842	213,916	-
Total other assets	<u>129,074</u>	<u>84,842</u>	<u>213,916</u>	<u>-</u>
Capital assets:				
Land	51,495	265,834	317,329	22,489
Land improvements	-	90,517	90,517	123,769
Buildings	690,470	399,031	1,089,501	1,759,939
Utility system	68,572,846	51,802,974	120,375,820	-
Machinery and equipment	728,981	481,014	1,209,995	976,508
Vehicles	-	-	-	3,797,692
Less accumulated depreciation	<u>(19,577,742)</u>	<u>(10,124,255)</u>	<u>(29,701,997)</u>	<u>(5,135,463)</u>
Total capital assets (net of accumulated depreciation)	<u>50,466,050</u>	<u>42,915,115</u>	<u>93,381,165</u>	<u>1,544,934</u>
Total noncurrent assets	<u>50,595,124</u>	<u>42,999,957</u>	<u>93,595,081</u>	<u>1,544,934</u>
Total assets	<u>54,322,808</u>	<u>45,311,880</u>	<u>99,634,688</u>	<u>2,871,034</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Net Assets Proprietary Funds (continued) June 30, 2008

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 458,183	\$ 110,089	\$ 568,272	\$ 41,735
Accrued compensation	12,619	14,261	26,880	7,170
Workers' compensation	-	-	-	759,915
Accrued interest payable	44,621	155,424	200,045	16,766
Deferred revenue	125,907	15,765	141,672	-
Current portion of long term debt	455,306	1,124,441	1,579,747	293,100
Total current liabilities	<u>1,096,636</u>	<u>1,419,980</u>	<u>2,516,616</u>	<u>1,118,686</u>
Long term debt:				
Revenue bonds (net of current portion)	94,601	765,402	860,003	-
Limited tax general obligation bonds (net of current portion)	6,434,076	26,505,622	32,939,698	-
Notes payable-net of current portion	-	-	-	64,064
Capitalized lease (net of current portion)	-	-	-	980,903
Accrued vacation and sick pay	36,096	41,006	77,102	37,902
Total long term debt	<u>6,564,773</u>	<u>27,312,030</u>	<u>33,876,803</u>	<u>1,082,869</u>
Total liabilities	<u>7,661,409</u>	<u>28,732,010</u>	<u>36,393,419</u>	<u>2,201,555</u>
NET ASSETS				
Invested in capital assets, net of related debt	43,504,647	14,542,231	58,046,878	206,867
Restricted:				
Restricted for revenue bond indentures	100,000	100,000	200,000	-
Unrestricted	<u>3,056,752</u>	<u>1,937,639</u>	<u>4,994,391</u>	<u>462,612</u>
Total net assets	<u>\$ 46,661,399</u>	<u>\$ 16,579,870</u>	<u>\$ 63,241,269</u>	<u>\$ 669,479</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds

Fiscal Year Ended June 30, 2008

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating revenues:				
Charges for services:				
User charges	\$ 5,256,916	\$ 4,074,944	\$ 9,331,860	\$ 1,972,177
Capacity charge	98,760	-	98,760	-
Other	-	991	991	25,311
Total operating revenues	<u>5,355,676</u>	<u>4,075,935</u>	<u>9,431,611</u>	<u>1,997,488</u>
Operating expenses:				
Operations and maintenance	3,989,131	1,519,589	5,508,720	1,584,506
General and administrative	1,101,902	1,414,067	2,515,969	-
Depreciation	765,338	683,969	1,449,307	365,420
Total operating expenses	<u>5,856,371</u>	<u>3,617,625</u>	<u>9,473,996</u>	<u>1,949,926</u>
Operating income (loss)	<u>(500,695)</u>	<u>458,310</u>	<u>(42,385)</u>	<u>47,562</u>
Nonoperating revenues (expenses):				
Interest on investments	41,035	22,829	63,864	38,841
Interest and fiscal charges	(249,042)	(890,973)	(1,140,015)	(61,310)
Total nonoperating revenue (expenses)	<u>(208,007)</u>	<u>(868,144)</u>	<u>(1,076,151)</u>	<u>(22,469)</u>
Income (loss) before contributions and transfers	(708,702)	(409,834)	(1,118,536)	25,093
Transfers in	197,188	69,139	266,327	2,077
Transfers out	(94,198)	(58,438)	(152,636)	-
Change in net assets	<u>(605,712)</u>	<u>(399,133)</u>	<u>(1,004,845)</u>	<u>27,170</u>
Total net assets - beginning	<u>47,267,111</u>	<u>16,979,003</u>	<u>64,246,114</u>	<u>642,309</u>
Total net assets - ending	<u>\$ 46,661,399</u>	<u>\$ 16,579,870</u>	<u>\$ 63,241,269</u>	<u>\$ 669,479</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Cash Flows Proprietary Funds

Fiscal Year Ended June 30, 2008

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
OPERATING ACTIVITIES:				
Cash received from customers	\$ 5,266,513	\$ 4,256,131	\$ 9,522,644	\$ 1,997,488
Cash payments to suppliers	(4,578,675)	(8,314,336)	(12,893,011)	(1,452,460)
Cash payments to employees for services	(409,003)	(469,195)	(878,198)	(302,877)
Cash provided (used) by operating activities	<u>278,835</u>	<u>(4,527,400)</u>	<u>(4,248,565)</u>	<u>242,151</u>
NONCAPITAL FINANCING ACTIVITIES:				
Transfer from other funds	197,188	69,139	266,327	2,077
Transfer to other funds	(94,198)	(58,438)	(152,636)	-
Cash provided by capital and related financing activities	<u>102,990</u>	<u>10,701</u>	<u>113,691</u>	<u>2,077</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Issuance of debt	1,516,172	7,544,800	9,060,972	274,718
Acquisition and construction of capital assets	(1,044,205)	(690,174)	(1,734,379)	(109,624)
Principal paid on bonds, notes and capital lease	(406,269)	(833,164)	(1,239,433)	(402,073)
Interest and fiscal charges paid on bonds	(234,621)	(841,836)	(1,076,457)	(59,640)
Cash (used) in capital and related financing activities	<u>(168,923)</u>	<u>5,179,626</u>	<u>5,010,703</u>	<u>(296,619)</u>
INVESTING ACTIVITIES:				
Interest on investments	41,035	22,829	63,864	38,841
Cash provided by investing activities	<u>41,035</u>	<u>22,829</u>	<u>63,864</u>	<u>38,841</u>
Net increase (decrease) in cash and cash equivalents	253,937	685,756	939,693	(13,550)
Cash and investments - beginning of year	1,919,121	100,000	2,019,121	1,097,182
Cash and investments - end of year	<u>\$ 2,173,058</u>	<u>\$ 785,756</u>	<u>\$ 2,958,814</u>	<u>\$ 1,083,632</u>
Reconciliation of operating income to cash provided (used) by operating activities:				
Operating income (loss)	\$ (500,695)	\$ 458,310	\$ (42,385)	\$ 47,562
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	765,338	683,969	1,449,307	365,420
Decrease in accounts receivable	(103,478)	167,644	64,166	-
(Increase) in inventory	-	-	-	(89,255)
(Increase) in prepaid costs	(35,975)	(221,875)	(257,850)	(6,970)
Increase (decrease) in accounts payable	145,224	(40,002)	105,222	22,271
Decrease in checks issued against future deposits	-	(5,571,059)	(5,571,059)	-
(Decrease) in deferred revenue	14,315	12,552	26,867	-
Increase (decrease) in accrued compensation	(5,894)	(16,939)	(22,833)	(96,877)
Cash provided (used) by operating activities	<u>\$ 278,835</u>	<u>\$ (4,527,400)</u>	<u>\$ (4,248,565)</u>	<u>\$ 242,151</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2008

<u>ASSETS</u>	Pension and Employee Benefit Trust Funds	Agency Funds
Cash and investments	\$ 7,333	\$ 259,827
Cash and investments - non-pooled	2,893,754	
Investments in fixed income securities	3,344,865	-
Accounts receivable	-	298,952
Accrued interest receivable	-	100,054
Total assets	<u>6,245,952</u>	<u>658,833</u>
 <u>LIABILITIES</u>		
Accounts payable	-	14
Checks issued against future deposits	-	208,898
Payroll withholdings payable	-	3,021
Accrued interest payable	-	100,054
Due to other governments	-	288,112
Deposits	-	58,734
Total liabilities	<u>-</u>	<u>658,833</u>
 <u>NET ASSETS</u>		
Assets held in trust for pension benefits	3,344,865	-
Assets held in trust for retiree benefits	2,901,087	-
Total net assets	<u>\$ 6,245,952</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statements.

CITY OF PORTAGE, MICHIGAN

Statement of Changes in Fiduciary Net Assets Pension Trust Funds

Fiscal Year Ended June 30, 2008

	Pension and Employee Benefit Trust Funds
ADDITIONS	
Employer contributions	<u>\$ 444,346</u>
Investment income	
Net increase in the fair value of investments	25,815
Interest income	<u>87,320</u>
Net investment income	<u>113,135</u>
Total additions	557,481
DEDUCTIONS	
Benefits to plan members	(215,892)
Administrative expenses	<u>(6,543)</u>
Total deductions	<u>(222,435)</u>
Change in net assets	335,046
Net assets - beginning	<u>5,910,906</u>
Net assets - ending	<u><u>\$ 6,245,952</u></u>

The notes to the financial statements are an integral part of this statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portage was incorporated December 31, 1963, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government, and provides services as authorized by its charter. The City Council is composed of a Mayor and six Councilmembers. The Mayor is elected for a two-year term, and the Councilmembers are elected at large for four-year staggered terms without term limits.

The City engages in a comprehensive range of municipal services including public safety, streets and highways, parks and facility management, and general administrative services. In addition, the City owns and contracts the operation of certain major enterprise activities including water and wastewater utilities. These activities are included in the accompanying financial activities.

The Charter of the City of Portage requires an annual audit by an independent certified public accountant. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is exempt from federal income taxes under Internal Revenue Code Sections 115 and 501(a), and from state sales tax.

A. Reporting Entity

As required by generally accepted accounting principles (GAAP), these financial statements present the City (the Primary Government) and its component units, entities for which the City is considered to be financially accountable. The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

Blended Component Units:

Building Authority - The Building Authority was established by the City on May 2, 1969 under the authority contained in Act 31, Michigan Public Acts of 1948, as amended in 1969 and 1984. The Act authorized the City to incorporate an authority for the purpose or purposes as follows: to build, acquire, furnish, equip, own, improve, enlarge, lease, operate, and maintain a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, for use for any legitimate public purpose of the City of Portage. The governing body of the Authority is known as the "Commission" and consists of the City Manager, City Finance Director and the Chairperson of the Board of the Local Development Finance Authority for the City of Portage. The Building Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the services and benefits provided to entities other than the City are insignificant. That mandates treatment as a blended component unit under GAAP.

Downtown Development Authority - The Downtown Development Authority was established by the City on April 21, 1998 under the authority contained in Act No. 197 of the Public Acts of Michigan of 1975 as amended. The act authorizes the City to provide for the creation of the authority; to define the boundaries of the downtown development district; to correct and prevent deterioration in the central business district; and to authorize the issuance of bonds and other evidences of indebtedness. The taxes collected on the

Note 1 Summary of Significant Accounting Policies, continued

increased taxable value resulting from Downtown Development Authority provided improvements are used to pay debt service. The Downtown Development Authority Board is comprised of the City Manager and eight citizen members appointed by the City Manager, subject to approval by the City Council. The Downtown Development Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the services and benefits provided to entities other than the City are insignificant.

Local Development Finance Authority - The Authority was established by the City on March 20, 1990, under the authority contained in Act 281 of Michigan Public Acts of 1986. The Act authorized the City to designate a specific district within its corporate limits as a Local Development Finance District. The Authority was appointed to promote the growth of specific, legally defined districts and take all steps necessary to create jobs and promote economic growth. The City Manager appoints seven members of the Authority Board of Directors. The other four members of the board of directors are appointed by Kalamazoo County (1), Kalamazoo Valley Community College (1), and Portage Public Schools (2). The Local Development Finance Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the City Manager appoints the voting majority of the governing body and may therefore impose the City's will on the organization. Further, because the City is financially responsible for the Authority, and because the Authority acts only to further the development aims of the consolidated plan of the City, the services and benefits provided to entities other than the City are insignificant.

Discretely Presented Component Units:

Complete financial statements for the discretely presented component units can be obtained from the Department of Community Development, City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002.

Economic Development Corporation - The Corporation was established by the City on November 21, 1978, under the authority contained in Act 338, Michigan Public Acts of 1974. The purpose of the Corporation is to promote the economic development of the community. To achieve this purpose, the Corporation issues bonds to private business and industry to finance projects that reduce unemployment and otherwise strengthen and revitalize the local economy. The City Council of the City of Portage appoints the Economic Development Corporation Board of Directors. Because the City appoints the voting majority of the governing body and may therefore impose its will on the organization, it has been presented as a component unit. It is not a blended component unit under GAAP because the component unit's governing body is not substantially the same as the primary government, and the benefits provided to entities other than the City are significant.

Tax Increment Finance Authority - The Authority was established by the City on September 3, 1985, under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorized the City to designate a specific district within its corporate limits as a Tax Increment Finance Authority District. The Authority is appointed to preside over this specific district and it is authorized to formulate plans and secure financing for public improvements, economic development, neighborhood revitalization and historic preservation within this area. These plans must be set forth in a tax increment financing plan which must be approved by the governing body of the City. The City Council of the City of Portage also appoints the Tax Increment Finance Authority Board of Directors. Because the city appoints the voting majority of the governing body and may therefore impose its will on the organization, and because the City is financially responsible for the Tax Increment Financing Authority, it is presented as a component unit. It is not a blended component unit under GAAP because the component unit's governing body is not substantially the same as the primary government, and the benefits provided to entities other than the City are significant. However, since the Authority had no activity during the fiscal year, no data has been presented.

B. Basis of presentation – Government-wide Financial Statements

Government-wide and Fund Financial Statements - The basic financial statements include both government-wide and fund financial statements. The focus is on the City as a whole and on major individual funds.

Note 1 Summary of Significant Accounting Policies, continued

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Internal service fund asset and liability balances that are not eliminated in the statement of net assets are reported in the governmental activities column on the government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

The fund level statements focus on the governmental, proprietary and fiduciary funds. The accounts of the City are organized on the basis of funds. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual governmental funds and major individual enterprise funds are supported as separate columns in the fund financial statements.

The city's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). By definition, these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the government, and are therefore not included in the government-wide statements. The activities of these funds include administration of the defined benefit pension trust and retiree health care funding trust, as well as the administration of the Cemetery Permanent fund, the Historic Book fund, the CDBG Program Income fund, and the Insurer-funded Blight Elimination Escrow (House Bill 5344 of 1998) fund. Because the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the flow of economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. Revenues, other than grants, are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (defined by the City as collected within 60 days of year-end). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed and when all eligibility requirements of the provider have been met and are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences or arbitrage are recorded when the liability is matured. Debt service expenditures are recognized when payment is matured. The reported fund balance of governmental funds is considered a measure of available expendable resources.

Property taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Note 1 Summary of Significant Accounting Policies, continued

The City reports the following major governmental funds:

General Fund: The general fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It includes the following activities: public safety, streets and highways, parks and facility management, and general government.

Special Assessment Fund: Although no longer required as an individual governmental fund-type after GASB Statement No. 6, *Accounting and Reporting for Special Assessments*, the City has utilized special assessments under its Charter to balance the cost of certain public improvements between private benefit and public burden, and chooses to emphasize the difference between special assessment debt and other debt issues by continuing to maintain this fund type. The public improvements subject to special assessment primarily benefit a particular property owner or group of property owners, ultimately increasing the fair market value of their property. The property owners pay the assessment over a 10-year term for street improvements, and over a 20-year term for water and sewer improvements, unless sooner paid. The activities performed by the City with regard to Special Assessments include organizing special assessment districts, overseeing the performance of the project itself, and accounting for and collecting the assessments to pay any debt incurred to finance the project. On November 7, 2006, voters approved an amendment to the City Charter restricting the right of the City to levy special assessments for the construction or reconstruction of streets, and amended the City Charter to permanently levy up to one mill (one tenth of one percent of the assessed value of all real and personal property in the City) dedicated to the construction or reconstruction of streets under the City's jurisdiction. As a result, only the construction or reconstruction of streets petitioned for by citizens and approved by Council will result in special assessments in the future. The ability of the City to levy special assessments for water and sewer public improvements is unchanged. No new special assessments were entered into for street construction or reconstruction during the fiscal year ended June 30, 2008. The first tax levy for municipal street construction/reconstruction was assessed on July 1, 2007. The City anticipates that, as a direct result of these actions, special assessments will decline over time to a level where they will cease to be a major fund and no longer merit distinction from other debt issues.

Capital Improvement Program (CIP) Fund: The City assesses a dedicated tax millage to support a balanced capital investment program. The program constructs, improves and maintains the highest level of public infrastructure and community resources. The fund accounts for the collection of dedicated tax revenues, and for financing the construction of all City capital projects in excess of \$10,000. These projects include creation of or improvements to streets, parks, city buildings, and other city facilities not owned or used by the Water and Sewer utility enterprises.

Major Streets Fund: This fund accounts for the maintenance of major streets, as certified by the state highway commissioner, and trunklines within the City. Primary funding is from special revenues provisions of Act 51 of 1951, as amended, of the state of Michigan. There are 72.04 lineal miles of major streets in the City. This fund does not meet the criteria of a major fund as defined by GASB, but the state of Michigan requires that it be presented as a major fund.

Local Streets Fund: This fund accounts for the maintenance of all local streets, as certified by the state highway commissioner. It is funded by special revenues from provisions of Act 51 of 1951, as amended, of the state of Michigan. There are 147.13 miles of local streets in the City. This fund does not meet the criteria of a major fund as defined by GASB, but the state of Michigan requires that it be presented as a major fund.

Proprietary and fiduciary fund financial statements are accounted for on the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing water and wastewater services. Other revenues or expenses are non-operating items.

The City reports the following major enterprise funds, which are also considered proprietary funds:

Sewer Fund - Accounts for the activities of the City-owned wastewater utility.

Water Fund - Accounts for the activities of the City-owned water utility.

Note 1 Summary of Significant Accounting Policies, continued

In addition, the City reports the following non-major governmental funds:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, including grant funds. These include cultural activities, cable television, Community Development Block Grant (CDBG), Local Development Finance Authority, West Lake weed management, curbside recycling, the leaf pickup / spring clean-up fund, and the municipal streets fund.

Debt Service Funds account for resources accumulated and payments made for general long-term debt.

Permanent Funds account for resources that are legally restricted to the extent that restrictions apply as to whether only earnings and not principal may be used for the limited and specific purposes that support the City's programs. Permanent funds account for Cemetery Perpetual Care and CDBG Program Income related activities.

The City reports the following proprietary and fiduciary funds:

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. The City has elected to follow GASB statements issued after November 30, 1989, rather than statements issued by the Financial Accounting Standards Board (FASB), in accordance with GASB Statement No. 20. The Sewer and Water funds are the City's only enterprise funds. The City reports no nonmajor enterprise funds.

Internal Service Funds account for the financing of goods or services provided by one City department or agency to other City departments or agencies or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, fleet services. As a general rule, the effect of interfund activity has been eliminated for government-wide reporting purposes. These funds are presented on a combined basis in the Statement of Net Assets – Proprietary Funds in the Internal Service Funds column and in detail in the Combining Statements of Net Assets – Internal Service Funds. These funds include the equipment and insurance funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds of the City include the pension trust fund and retiree health care trust fund.

Agency funds account for net assets held on behalf of others, are purely custodial (assets equal liabilities) and do not involve the measurement of results of operations. The agency funds of the City include the following: Current Year Tax Collection fund, accounting for tax funds collected and distributed; the Investment Interest Allocation fund, holding the accrued and liquid interest earnings on the pooled investments of the city; the payroll clearing fund, collecting and allocating insurance and other payroll-related costs; a general Trust and Agency fund, holding various deposits for bid, bail, and construction bonds; the Historic Book fund, collecting and forwarding sales funds on behalf of the author of a book about Portage's past; and the Insurer-funded Blight Elimination Escrow fund, holding a portion of homeowner insurance proceeds to ensure that repairs to damaged properties are made in compliance with city codes, after which they are refunded to the homeowner; or, if property remains unrepaired to fund demolition of dangerous and/or blighted property without use of taxpayer dollars.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) Prior to April 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The proposed operating budget includes proposed expenditures and the means of financing them, and is adopted at the "activity" level with the exception of the capital improvement fund, which is adopted at the "project" level.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) The budget is legally enacted through passage of an ordinance no later than the second Monday in June.

Note 1 Summary of Significant Accounting Policies, continued

Annual budgets are legally adopted for the general fund, certain special revenue funds and debt service funds. Annual budgets are adopted for the enterprise funds, internal service fund, cemetery perpetual fund, and CDBG program income funds, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year.

Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annually budgeted funds.

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund to another, or in situations where the transfer would cause a change in fund balance.

The original and final budgets for the General Fund are reported in the Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual. Unencumbered appropriations for annual budgets lapse at fiscal year-end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end in the General Fund. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation, with the approval of City Council, to allow liquidation of the encumbrance.

E. Financial Statement Elements

Pooled Investments and Cash Deposit Balances - Cash balances of all City funds (except for certain funds having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of high-grade commercial paper and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that incur a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments - Certain investments are required to be reported at fair value, based upon quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments at fair value as of June 30, 2008.

Accounts Receivable - Balances of accounts receivable, reported on the government-wide statement of net assets, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of June 30, 2008:

	<u>Charges for Services</u>	<u>Special Assessments</u>	<u>Other Governments</u>	<u>Total</u>
Governmental Activities				
Major Funds	\$ 1,429,739	\$ 2,685,482	\$ 963,246	\$ 5,078,467
Non-major Funds	-	-	98,757	98,757
Total	<u>\$ 1,429,739</u>	<u>\$ 2,685,482</u>	<u>\$ 1,062,003</u>	<u>\$ 5,177,224</u>

There is no provision for an allowance for doubtful accounts because Kalamazoo County guarantees payment of real property taxes, and the Ordinances of the City provide for the creation of durable tax liens for all taxes, assessments and charges putting the City in the position of eventual 100% collection. Business-type activities are primarily comprised of charges for services.

Note 1 Summary of Significant Accounting Policies, continued

Elimination of Internal Activities - The elimination of internal service fund activity is needed in order to eliminate duplicate activity in making the transition from fund level financial statements to the government-wide financial statements. In addition, the elimination of internal service fund activity requires the city to "look back" and adjust the internal service funds' internal charges. A positive change in net assets derived from internal service fund activity results in a pro rata reduction in the charges made to the participatory funds. A deficit change in net assets of internal service funds requires a pro rata increase in the amounts charged to the participatory funds.

Internal Balances - In the government-wide statement of net assets, internal balances are the receivables and payables between the governmental and business-type activities. There were no internal balances as of June 30, 2008.

Interfund Activities - In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the charge back of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred through a plan of allocation utilizing actual costs. These amounts are eliminated in the government-wide statement of activities.

Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivable and payable balances are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivable or payable balances are expected to be liquidated after one year, they are classified as "advances to other funds" or "advances from other funds." No interfund receivables existed as of June 30, 2008.

Inventories - Inventories are valued at the lower of cost (first-in - first-out) or market. Inventories for all funds use the consumption method and expenditures are recorded when issued. The Equipment Fund holds the only inventory maintained by the City.

Prepaid expenses and other assets - The governmental activities statement of net assets includes prepaid expenses and other assets. Fund balance is reserved for prepaid expenses; fund balance is not reserved for other assets.

Restricted assets - Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The balance of restricted asset accounts in the enterprise funds are as follows:

	<u>Business-Type Activities</u>		<u>Total Restricted Assets</u>
	<u>Sewer</u>	<u>Water</u>	
Revenue bond indentures	\$ 100,000	\$ 100,000	\$ 200,000

Capital assets - Capital assets, which include land, facilities and improvements, machinery and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net assets, and related depreciation is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life of greater than one year. Assets purchased or constructed are capitalized at historical cost. Contributed capital assets are recorded at estimated fair market value at the time of receipt or at historical cost if historical cost is available. Capital outlay (asset purchases that do not meet the definition of a capital asset) is recorded as an expenditure in the general fund and other governmental funds, and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of capital assets are capitalized.

Note 1 Summary of Significant Accounting Policies, continued

The City has adopted and implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. No material impairments requiring disclosure or restatement of previously issued financial statements existed at the adoption date. No material impairments existed as of the statement date.

The City obtains public domain capital assets (infrastructure) through capital improvement project (CIP) construction, or through annexation or developer contribution. Infrastructure consists of certain improvements other than buildings, including streets and roads, bridges, pedestrian facilities, drainage systems and traffic signal systems.

Interest is not capitalized on governmental capital assets. For enterprise funds, interest paid on long-term debt in the enterprise funds is capitalized when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by bond proceeds issued to fund the project.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

Assets	Governmental Activities ⁽¹⁾	Business-Type Activities	
		Sewer	Water
Buildings	40	40	40
Equipment	5	5	5
Vehicles	5	5	5
Improvements to grounds	20	20	20
Water and wastewater systems*	-	50 - 100	50 - 100
Infrastructure			
Streets and roads	20	-	-
Retaining walls	30	-	-
Bridges	50	-	-
Drainage systems	50	-	-
Pedestrian facilities	20	-	-
Traffic signals	20	-	-

⁽¹⁾ Includes internal service funds

*Water and wastewater systems constructed prior to 2007 depreciated on 100 year basis; beginning in fiscal year 2007 a 50 year life is used.

Depreciation of assets is classified by functional components. The City considers land to be inexhaustible; and therefore, these assets are reported as non-depreciable. Unallocated depreciation reported in the government-wide statement of activities consists of depreciation of infrastructure assets of \$6,874,195.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Deferred Charges or Credits - Deferred charges represent expenditure for expense prepayments that are distinguished from prepaid expenses on the basis of the time over which they will be recognized as period expenses. That is, they involve a longer period of time than prepaid expenses do. Deferred credits represent revenue received at fiscal year-end prior to the earning process being complete.

Short Term Debt – In February of 2005, the city issued \$1,055,000 in bond anticipation notes to finance improvements at a busy intersection in the heart of the city. Due in February of 2008, the notes were replaced by long term debt. These anticipation notes represented the only short term debt held by the city.

Balance at June 30, 2007:	\$1,055,000
Increases/decreases:	<u>-\$1,055,000</u>
Balance at June 30, 2008:	\$ 0

Long Term Debt - The debt service for general obligation bonds and other general obligation debt, including loans, issued to fund general government capital projects is paid from tax revenues, interfund transfers and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

Note 1 Summary of Significant Accounting Policies, continued

The debt service for general obligation bonds and other general obligation debt issued to fund proprietary fund capital projects is normally paid from the net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principals and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds that have been issued to finance capital projects of certain enterprise funds are to be repaid from net revenues of these funds. Such debt is recorded in the funds. Operating revenues and interest income that are used as security for revenue bonds are reported separately from other revenues.

The City defers and amortizes gains or losses realized by proprietary funds on refundings of debt and for governmental activities in the government-wide financial statements, and reports both the new debt liability and the related deferred amount on the funds' balance sheets. The City recognizes gains or losses on debt defeasance when funds from current operations are used.

Operating Revenues - Revenues are recorded net of allowances in the government-wide and proprietary fund-level statements. No allowances were necessary for the year ended June 30, 2008.

Interfund Revenues, Expenses and Transfers - Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds.

Intergovernmental Revenue, Receivables and Liabilities - Intergovernmental revenues and related receivables arise primarily through funding received from federal grants and state grants. These revenues and receivables are earned through expenditure of money for grant purposes, or through consolidating settlements while acting as tax collection agency for other local government units. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local government units.

Federal and State Grants, Entitlements and Shared Revenues - Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally recorded in other governmental funds are accounted for within the nonmajor governmental fund groupings: federal grant funds, state grant funds, and other special revenue funds. Capital grants restricted for capital acquisition or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenditures at the discretion of the City are recognized in the applicable proprietary fund.

Restricted Resources - When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Reservations of Fund Equity - Reservation of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally restricted by outside parties for use for a specific purpose. Designations of fund balance are the representations of management for the utilization of resources in future periods. Reserves for police safety training are legally restricted to those purposes by the grantor.

Note 1 Summary of Significant Accounting Policies, concluded

Cash and Investments - For purposes of the statement of cash flows, the city considers cash and cash investments to consist of currency on hand, cash held by trustee, demand deposits with banks, invested funds, and all amounts included in pooled investments and cash accounts.

Pension Costs - It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see defined benefit pension plan information in Note 11, and defined contribution pension plan information in Note 12).

Risk Management - The City is exposed to employee-related risks for workers' compensation, as well as to various risks of loss related to torts, including medical malpractice; theft of, damage to, or destruction of assets, errors and omissions, and natural disasters. The City continues to be self-insured for liabilities for workers' compensation claims with stop-loss provisions in place (Note 10.B.).

The City participates in a risk pool administered by the Michigan Municipal Risk Management Association for coverage to insure against property loss or damage, commercial crime, and fidelity bonds. The City complies with GASB Statement No. 10, *Accounting and reporting for Risk Financing and Related Insurance Issues* (See Note 10.B.).

F. Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). They may also present comparative data on the government-wide statement of activities. Comparative data is presented as part of the MD&A.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Compensated Absences

City employees are granted compensated absences for vacation and sick leave in varying amounts based on length of service. It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. The estimated long-term liability for vacation and sick pay which will be paid with future Governmental-type operating resources is recorded as general long term debt. The total estimated long-term cost of employees' accumulated vacation and sick leave was approximately \$1,844,382 at June 30, 2008.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Schedules that show the adjustments required to take the figures in the government-wide statements to those in the governmental fund statement presentation immediately follow those statements.

3. POOLED INVESTMENTS AND CASH

The following summarizes the amounts of the pooled investments and cash by fund at June 30, 2008:

Pooled Investments and Cash				
	<u>Unrestricted, invested</u>	<u>Restricted, invested</u>	<u>Other cash</u>	Total
General fund	\$ 4,940,600	-	\$ 23,039	\$ 4,963,639
Special assessments fund	3,567,955	-	-	3,567,955
Capital improvement fund	1,462,367	-	5,200	1,467,567
Streets funds	630,097	-	2,342	632,439
CDBG Program Income	5,571	-	-	5,571
Non-major governmental funds	3,591,934	-	25,852	3,617,786
Agency and trust funds	267,160	-	-	267,160
Internal service funds	1,075,880	-	7,752	1,083,632
Sewer fund	2,051,410	100,000	21,648	2,173,058
Water fund	672,778	100,000	12,978	785,756
Totals	\$ 18,265,752	\$ 200,000	\$ 98,811	\$ 18,564,563

Other cash includes construction retainage and other deposits in escrow, petty cash, and insurance pool deposits. The Pension and Employee Benefit Trust Funds' investment in fixed income securities of \$3,344,865 and the Retiree Health Care funds investment of \$2,893,754 with the Municipal Employee's Retirement System of Michigan are excluded from the above as the result of not being pooled investments and cash. Component unit cash as of June 30, 2008, totaled \$20,231, and is also not pooled cash.

4. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. A "zero balance account" mechanism provides for overnight sweeps of deposits made to the City depository account, and the outstanding balance in the accounts payable checking account, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the City's operating accounts are invested in a Public Act 367, Section 1, money market fund (that is, a registered investment not subject to the \$100,000 FDIC limit) at all times. The City has never invested in derivatives or similar types of investments.

A. Investments

The City's deposits and investments are invested pursuant to the City of Portage investment policy. The objective of the policy is, in order of priority, preservation of capital, liquidity and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, diversification of the portfolio composition, and the permitted types of investment instruments. The terms of policy are informed by the provisions of Chapter 129, Public Funds, of the Michigan Compiled Laws and permit investment in:

1. Certificates of deposit issued by banks located in Michigan;
2. U.S. Treasury and agency obligations;
3. Commercial paper at the two highest rating levels;
4. Domestic bankers acceptances
5. U.S. Treasury or agency backed repurchase agreements, and
6. PA 20 qualified local government investment trusts and mutual funds

Further, the City assumes that its callable investments will not be called, and that all investments will be held to maturity.

The City participates in a local government investment trust, CLASS, managed by MBIA, Municipal Investors Service Corporation. Overnight operating account balances were invested in the JP Morgan Chase Michigan Governmental Operating fund. The City owns 1:1 dollar interests in each fund. Both pools are composed of investment vehicles that are permissible under state of Michigan law for municipal government, and would qualify for direct investment by the City. The fair value of the City's position in these funds is equivalent to the carrying value, and, as such, is included in the cash and pooled funds category.

Note 4 Deposits and Investments, continued

During the 2006/2007 fiscal year, the City bid out its' banking services and the successful bidder was JP Morgan Chase Bank. The overnight investments held in Chase accounts are invested in Chase's Michigan Governmental Operating fund that meets the criteria of Michigan law for investment by municipal governments.

Pension trust fund investments, a fiduciary fund not included in the government-wide statements, must conform to the limits and standards set forth in Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988. Its' corpus is held by, and its' assets are managed by Principal Financial Group, Inc.

Retiree health care fund investments, a fiduciary fund not included in the government-wide statements, must conform to the limits and standards set forth in Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988. The vehicle and terms of investment meet the criteria of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for a qualifying Trust. Its' corpus is held by, and its' assets are managed by the Municipal Employees' Retirement System of Michigan (MERS).

The component unit's funds are included in the City's pooled cash funds, and partake ratably in the City's investment portfolio.

As of June 30, 2008, the City had the following investments:

Investment Type	Fair Value	Effective Duration
U.S. Government Agencies - Coupon	\$ 7,057,985	1.359
U.S. Government Agencies - Amortizing	1,974,090	0.494
Commercial Paper	1,973,011	0.465
Investment Pools	7,062,605	0.000
Total Fair Value	\$ 18,067,691	

Book value exceeds fair value of cash and investments by \$398,061 due primarily to checks issued on future deposits, but also accrued interest, restricted funds, and other cash items, offset by unrecognized appreciation of investments. Adjusting fair value by these amounts reconciles it to the invested book value of \$18,465,752.

Interest Rate Risk. In accordance with its investment policy, the City minimizes investment rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The investment portfolio is structured so that securities mature to meet known cash requirements for ongoing operations, and the maturity of investments is limited to less than six years.

Credit Risk. The investment policy limits investments in commercial paper to those rated in the two highest classifications by nationally recognized statistical ratings organizations. As of June 30, 2008, investments in commercial paper were rated A1 by Standard and Poor's, F-1 by Fitch Ratings, and P-1 by Moodys Investors Service: the investments in the MBIA CLASS, and the JP Morgan Chase Michigan Governmental Operating Fund investment pools were not rated. At June 30, 2008, the City held 30% of its portfolio in Federal Home Loan Mortgage Corporation ("Freddie Mac") bonds or notes, and 7% of its portfolio in Federal National Mortgage Association (Fannie Mae) bonds, government sponsored enterprises (GSE's) that, on September 7, 2008, were placed under conservatorship by the Federal Housing Finance Agency (FHFA). This served to give the formerly implicit government backing of these enterprises a more explicit guarantee. As of the issue date of these financial statements, most of these instruments with call options have been called as a result of their relatively high interest rates. They have been replaced most commonly with Federal Home Loan Bank or Federal Farm Credit Bank coupon bonds, other government sponsored enterprises. Due to the uncertainty regarding Fannie and Freddie's futures and the overall instability of the market, the city has not rushed to reinvest in either entity despite the enhanced level of guarantee.

Concentration of Credit Risk. The City minimizes the concentration of credit risk, which is the risk of loss attributed to the magnitude of investment in a single issuer. The investment policy requires diversification of the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The

Note 4 Deposits and Investments, continued

investment policy criteria relating to the various forms of credit risk are as follows:

Investment type	Type, % of Portfolio Limit	Issuer/Broker, % of Portfolio Limit
Certificate of Deposit	may not exceed 60%	may not exceed 40%
U.S. Treasury, Agency & GSE	no limit	may not exceed 40% with one broker
Commercial Paper	may not exceed 70%	may not exceed 15%
Bankers Acceptances	no limit	may not exceed 40% with one bank
Repurchase Agreements	may not exceed 10%	may not exceed 40% with one bank
Mutual Fund/Local Govt Investment Pools	may not exceed 80%	may not exceed 40%

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the policy of the City to minimize custodial credit risk for both investments and cash deposits. The City has a zero custodial credit risk exposure as of June 30, 2008, because all securities are registered, and are held by brokerage firms that are also the counterparty for these investments. Cash deposits are maintained at less than the FDIC insurance limits, and therefore have zero custodial credit risk as well.

Foreign Currency Risk. The City is not authorized to participate in investments that have this type of risk.

B. Deposits

Primary Government

At year end, the uninvested carrying amount of the City deposits was \$532,019, the total book balance in the operating and overnight governmental cash investment funds was \$7,062,577. Compensating balances are held in the depository and the disbursement accounts, making the overnight sum held by the bank \$532,019. The \$532,019 is \$432,019 over the \$100,000 coverage limit for FDIC insurance. The risk inherent in exceeding the FDIC limit is considered remote, and the compensating balance is instrumental in limiting the expense of bank service charges. The overnight sweep is invested in a governmental cash investment fund that meets the criteria for local government investment pools outlined in Public Act 367. Funds deposited in accordance with the requirements of Public Act 367 of 1982 are considered fully secured. No collateralization is required of the banking institution.

Component Units

The carrying value of deposits for the Economic Development Corporation was \$20,231. The Tax Increment Financing Authority is presently inactive, and has a zero deposit balance.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2008, \$432,019 of the City's deposits were exposed to custodial credit risk because the level of compensating balances exceed the amount covered by FDIC insurance.

5. PROPERTY TAXES

Property taxes are levied and attach as an enforceable lien on property as of August 1, and are due on September 14 of each year. Real property taxes remaining unpaid on the following March 1 are turned over to the County Treasurer for collection and the City is paid in full for the taxes by the County. Therefore, amounts recorded as delinquent tax payments receivable represent only unpaid personal property taxes.

The City bills and collects its own property taxes and also collects taxes for the state education fund, district library, Kalamazoo county, community college, regional programs, and the school districts contained within the City corporate limits. Collection and remittance of the state education fund, district library, Kalamazoo county, community college, regional programs, and the school districts taxes are accounted for in the current year tax collection and in the trust and agency Funds. City property tax revenues are recognized when levied to the extent that they result in current receivables.

6. CAPITAL ASSETS AND INFRASTRUCTURE

Capital assets activity for the year ended June 30, 2008 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 8,591,180	\$ 689,886	\$ -	\$ 9,281,066
Rights-of-way	4,448,140	-	-	4,448,140
Total capital assets, not being depreciated	13,039,320	689,886	-	13,729,206
Capital assets, being depreciated				
Land improvements	6,455,778	194,283	-	6,650,061
Buildings	13,502,038	110,648	-	13,612,686
Machinery and equipment	6,190,803	189,203	(59,476)	6,320,530
Vehicles	8,053,840	107,368	(264,432)	7,896,776
Infrastructure	182,497,928	3,925,320	-	186,423,248
Total capital assets, being depreciated	216,700,387	4,526,822	(323,908)	220,903,301
Less accumulated depreciation for:				
Land Improvements	(3,228,281)	(330,063)	-	(3,558,344)
Buildings	(4,560,448)	(355,369)	-	(4,915,817)
Machinery and equipment	(5,532,917)	(302,214)	59,476	(5,775,655)
Vehicles	(6,246,240)	(752,941)	242,916	(6,756,265)
Infrastructure	(113,008,297)	(7,072,200)	-	(120,080,497)
Total accumulated depreciation	(132,576,183)	(8,812,787)	302,392	(141,086,578)
Total capital assets, being depreciated, net	84,124,204	(4,285,965)	(21,516)	79,816,724
Governmental activities capital assets, net	\$ 97,163,524	\$ (3,596,079)	\$ (21,516)	\$ 93,545,930

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 317,329	\$ -	\$ -	\$ 317,329
Total capital assets, not being depreciated	317,329	-	-	317,329
Capital assets, being depreciated				
Land Improvements	90,517	-	-	90,517
Buildings	1,089,501	-	-	1,089,501
Machinery and equipment	1,162,077	47,918	-	1,209,995
Water and sewer system	118,690,049	1,754,769	(68,998)	120,375,820
Total capital assets, being depreciated	121,032,144	1,802,687	(68,998)	122,765,833
Less accumulated depreciation for:				
Land improvements	(53,043)	(6,926)	-	(59,968)
Buildings	(660,263)	(27,336)	-	(687,599)
Machinery and equipment	(1,014,556)	(46,430)	-	(1,060,986)
Water and sewer system	(26,525,519)	(1,368,615)	690	(27,893,444)
Total accumulated depreciation	(28,253,381)	(1,449,307)	690	(29,701,997)
Total capital assets, being depreciated, net	92,778,763	353,380	(68,308)	93,063,836
Business-type activities capital assets, net	\$ 93,096,092	\$ 353,380	\$ (68,308)	\$ 93,381,165

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 464,950
Public safety	783,322
Streets and highways	58,043
Health & welfare	18,511
Parks/facility mgmt.	415,759
Unallocated depreciation	7,072,202
Total depreciation expense – governmental activities	<u>\$ 8,812,787</u>
Business-type activities:	
Sewer	\$ 765,338
Water	683,969
Total depreciation expense – business-type activities	<u>\$ 1,449,307</u>
The component unit has no capital assets.	

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2008 totaled \$0.

Transfers between funds for the year ended June 30, 2008, were as follows:

Governmental Activities	General Fund	Major Streets	Local Streets	Non-major Gov't'l	Capital Improve.	Sewer Operating	Water Operating	Transfers In:
General Fund	-	-	-	106,507	-	-	-	106,507
Major Streets	-	-	-	2,077	-	-	-	2,077
Local Streets	546,000	300,000	-	2,077	-	-	-	848,077
Capital Improvement	-	950,000	-	1,593,947	-	94,198	58,438	2,696,583
Non-major Governmental	-	-	-	62,853	4,803,500	-	-	4,866,353
Business-type Activities								
Water Operating	-	-	-	69,139	-	-	-	69,139
Sewer Operating	-	20,500	20,500	156,188	-	-	-	197,188
Internal Service	-	-	-	2,077	-	-	-	2,077
Transfers Out:	546,000	1,270,500	20,500	1,994,865	4,803,500	94,198	58,438	8,788,001

Interfund transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds, 3) transfer bond proceeds from the issuing fund to internal service funds to fund asset purchases, 4) provide remuneration to funds providing common services.

8. DEBT AND NON-DEBT LIABILITIES

Debt Issues: Three series of Capital Improvement Bonds were issued during the fiscal year, refunding bonds in the amount of \$13,890,000 (series 2007, issued August 1, 2007), bonds in the amount of \$7,500,000 (series 2008, issued January 1, 2008), and bonds in the amount of \$11,850,000 (series 2008A, June 1, 2008).

The \$13,890,000 series refunded a total outstanding balance of \$13,640,000 of utility revenue bonds, series 2002, 2003, 2004, and 2005. The refunding was done to maintain the coverage ratio as stated for utility revenue bonds, the net loss was \$1,937,786; the present value of the loss was \$254,187.

A portion of the \$11,850,000 series refunded a 1999 series of Building Authority bonds totaling \$2,825,000. That refunding was done to realize a net savings of \$242,785; the present value of the savings was \$191,126.

Debt and Non-Debt Liabilities, continued

General Obligation bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.00%-6.70%	\$ 1,859,541
Business-type activities	2.00%-6.70%	2,815,459
		<u>\$ 4,675,000</u>

Annual debt service requirements to maturity for general obligation bonds:

Year ending	Governmental Activities		Business-type Activities	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 303,054	\$ 69,568	\$ 426,946	\$ 122,905
2010	256,841	58,635	373,159	104,894
2011	222,984	49,653	317,016	89,361
2012	199,988	41,744	310,012	74,995
2013	180,247	34,642	269,753	61,618
2014-2018	412,775	108,993	792,225	165,591
2019-2023	275,972	29,826	324,028	31,838
2024-2028	7,680	167	2,320	51
Totals	<u>\$ 1,859,541</u>	<u>\$ 393,228</u>	<u>\$ 2,815,459</u>	<u>\$ 651,252</u>

Capital Improvement Project bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.45%-5.00%	\$ 29,931,172
Business-type activities	2.45%-5.00%	31,413,828
		<u>\$ 61,345,000</u>

Annual debt service requirements to maturity for Capital Improvement Project bonds:

Year ending	Governmental Activities		Business-type Activities	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,547,359	\$ 1,092,999	\$ 862,641	\$ 1,203,685
2010	2,154,341	1,078,036	1,445,659	1,229,294
2011	2,152,780	1,003,482	1,467,220	1,177,707
2012	2,177,628	927,201	1,527,372	1,123,770
2013	2,124,401	850,152	1,550,599	1,067,514
2014-2018	9,569,798	3,123,367	8,415,202	4,432,306
2019-2023	5,801,662	1,577,741	10,243,338	2,392,853
2024-2028	4,002,974	456,336	5,562,026	497,129
2029-2033	400,229	8,780	339,771	7,333
Totals	<u>\$29,931,172</u>	<u>\$10,118,094</u>	<u>\$31,413,828</u>	<u>\$13,131,592</u>

Building Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	4.00%-5.60%	\$ 8,975,000

Annual debt service requirements to maturity for Building Authority bonds:

Year ending	Governmental Activities	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 860,000	\$ 422,525
2010	710,000	384,979
2011	715,000	350,396
2012	745,000	314,420
2013	750,000	277,271
2014-2018	3,350,000	816,311
2019-2023	1,845,000	215,513
Totals	<u>\$8,975,000</u>	<u>\$2,781,415</u>

Debt and Non-Debt Liabilities, continued

Downtown Development Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	3.00%-5.25%	\$ 5,585,000

Annual debt service requirements to maturity for Downtown Development Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 125,000	\$ 258,286
2010	140,000	253,371
2011	160,000	247,639
2012	175,000	240,874
2013	220,000	233,111
2014-2018	1,585,000	986,856
2019-2023	2,240,000	504,206
2024-2028	940,000	121,519
Totals	<u>\$5,585,000</u>	<u>\$2,845,862</u>

Local Development Finance Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	4.20%-6.35%	\$ 6,130,000

Annual debt service requirements to maturity for Local Development Finance Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 140,000	\$ 326,998
2010	140,000	320,308
2011	140,000	313,618
2012	140,000	306,928
2013	225,000	300,238
2014-2018	1,200,000	1,335,138
2019-2023	1,900,000	954,163
2024-2028	1,845,000	422,100
2029-2033	400,000	38,100
Totals	<u>\$6,130,000</u>	<u>\$4,317,591</u>

Motor Vehicle Highway bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	4.00%-5.80%	\$ 11,090,000

Annual debt service requirements to maturity for Motor Vehicle Highway bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 865,000	\$ 530,503
2010	845,000	491,456
2011	885,000	451,169
2012	930,000	408,184
2013	910,000	363,671
2014-2018	4,680,000	1,099,844
2019-2023	1,975,000	159,619
Totals	<u>\$11,090,000</u>	<u>\$3,504,446</u>

Debt and Non-Debt Liabilities, continued

Special Assessment debt with government commitment

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Water main, sewer main, road improvements	2.00%-6.90%	\$ 6,350,000
Annual debt service requirements to maturity for special assessment bonds:		
Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	825,000	259,586
2010	805,000	226,411
2011	715,000	194,894
2012	670,000	165,788
2013	635,000	138,065
2014-2018	1,635,000	415,493
2019-2023	875,000	136,261
2024-2028	190,000	16,568
Totals	<u>\$6,350,000</u>	<u>\$1,553,066</u>

Revenue bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Water main and sewer main construction	4.20%-4.50%	\$ 1,105,000
Annual debt service requirements to maturity for revenue bonds:		
Year ending	<u>Business-type Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	245,000	42,176
2010	240,000	31,931
2011	285,000	20,775
2012	285,000	8,484
2013	50,000	1,125
Totals	<u>\$ 1,105,000</u>	<u>\$ 104,491</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 2,162,270	\$ -	\$ (302,729)	\$ 1,859,541	\$ 303,054
Special Assessment debt					
With government					
Commitment	7,280,000	-	(930,000)	6,350,000	825,000
Building Authority bonds	12,610,000	-	(3,635,000)	8,975,000	860,000
Motor Vehicle Highway bonds	11,925,000	-	(835,000)	11,090,000	865,000
Downtown Development					
Authority bonds	5,705,000	-	(120,000)	5,585,000	125,000
Local Development Finance					
Authority bonds	6,270,000	-	(140,000)	6,130,000	140,000
CIP Bonds	21,164,375	7,364,028	(1,522,231)	27,006,172	1,487,359
CIP Refunding Bonds (escrow)	-	2,925,000	-	2,925,000	60,000
Total bonds payable	<u>67,116,645</u>	<u>10,289,028</u>	<u>(7,484,960)</u>	<u>69,920,713</u>	<u>4,665,413</u>
Compensated absences	1,711,689	1,201,021	(1,190,591)	1,722,119	1,190,591
Retiree health care and pension	1,055,464	99,234	-	1,154,698	-
Governmental activity					
Long term liabilities	<u>\$ 69,883,798</u>	<u>\$ 11,589,283</u>	<u>\$ (8,675,551)</u>	<u>\$ 72,797,530</u>	<u>\$ 5,856,004</u>

Debt and Non-Debt Liabilities, continued

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable:					
General obligation bonds	\$ 3,277,730	\$ -	\$ (462,271)	\$ 2,815,459	\$ 426,946
CIP Utility bonds	9,295,625	9,060,972	(767,769)	17,588,828	797,641
CIP Refunding bonds (escrow)	-	13,890,000	(65,000)	13,825,000	65,000
Utility revenue bonds	14,970,000	-	(13,865,000)	1,105,000	245,000
Total bonds payable	27,535,338	22,950,972	(15,160,040)	35,334,287	1,534,587
Compensated absences	116,319	51,104	(45,160)	122,263	45,160
Business-type activity					
Long term liabilities	\$ 27,659,674	\$ 23,002,076	\$(15,205,200)	\$ 35,456,550	\$ 1,579,747

The liabilities for compensated absences, contributions to union-held and union-administered OPEB plans, and premiums for retiree health insurance have been paid out of current operations as claims arose, the cost of which is allocated among the different funds based on direct payroll allocation. The General Fund carries the largest payroll burden, and, therefore, satisfies the majority of the liability liquidation cost. Total CIP bonds payable additions for governmental activities includes \$274,718 for internal service fund debt not included in the issuance of debt and refunding bonds for total governmental funds since proprietary fund debt is recorded as a liability and not an other funding source.

9. LITIGATION

As with any municipality, claims may from time to time be asserted which allege liability on the part of the City connected with a number of different matters involving general liability. The City is involved in a number of legal proceedings; while any litigation or investigation has an element of uncertainty, the City believes the uninsured portion of any lawsuit, or claim which is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or operations.

On May 6, 1998, the city reached a settlement agreement with the City of Kalamazoo for litigation begun in 1995. The litigation alleged overcharging by the City of Kalamazoo for wastewater rates over an extended period of time. The settlement agreement called for a credit of \$1,000,000 to the City of Portage that will be recognized over a 20-year period. The City of Kalamazoo has accounted for this credit as a contribution in aid of construction (of the wastewater system) on behalf of the City of Portage. The City of Portage recorded the credit as a reduction of expenses in the Sewer Fund for the appropriate amount annually over the life of the settlement period. The settlement agreement was adopted by the appropriate judicial agencies.

10. COMMITMENTS AND CONTINGENCIES

A. Capital Improvement Plan

The City has a ten year *Capital Improvement Program* (CIP capital budget) that is an anticipated spending plan for the projects in the upcoming and future years. The City's 2007/2008 Capital Budget included new appropriations of \$11,515,000, including \$1,390,000 for the City's enterprise funds and \$10,125,000 for general government projects. The City has substantial contractual commitments relating to its capital improvement program, as follows:

<u>CIP project:</u>	<u>Spent to date</u>	<u>Remaining commitment</u>
Water system expansion (Enterprise fund)	\$ 791,179	\$4,245,425
Sewer main additions (Enterprise fund)	1,015,651	1,711,891
Street additions and improvements	4,319,664	5,695,553
Sidewalk and bikeway improvements	215,438	783,118
Public safety improvements – Police	283,868	274,939
Public safety improvements – Fire	32,736	285,588
Parks improvements	342,898	306,756
Public facility improvements	213,360	131,640
	<u>\$7,214,795</u>	<u>\$13,434,908</u>

Commitments and Contingencies, continued

B. Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

<u>Fund Name</u>	<u>Description</u>
Liability Reserve	This reserve is held by Michigan Municipal Risk Management Association under the terms of their coverage for losses and claims related to liability for bodily injury, property damage, professional liability and certain employment liability. Excludes losses and claims related to health benefits or workers' compensation. After deductibles, experience rates dictate the reserve funding balance.
Workers' Compensation	Self-Insured. Costs are charged to other City funds each year based on historical cost. Stop-loss protection for individual incident claims paid in excess of \$350,000 is provided by Employers Reinsurance Corporation.

The City purchases coverage for loss or damage to real property, theft and other criminal acts, and third-party liability associated with utility operations through participation in a municipal risk pool, MMRMA. The MMRMA stop loss program consists of an annually established dollar level of reserve out of which claims are paid. When payments exceed the reserve, MMRMA satisfies the claims. The level of stop loss reserve held by MMRMA as of June 30, 2008, was \$34,872. The amount of insurance settlement has not exceeded insurance coverage in this fiscal year, nor in the preceding three fiscal years.

Contingency liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

11. PENSION PLANS

The City continues to fund annuity contracts under a defined benefit pension plan covering certain employees of the City of Portage. These contracts cover certain full-time employees who were first hired prior to the years 1985 through 1989 (depending on their various employee groups), and who individually elected to remain participants in the defined benefit plan upon the City's adoption of defined contribution plans. (See Note 12.) The plan has 4 active participants. The plan is active only with regard to the 4 active participants, participants who are no longer employed but who have not yet achieved the right to receive benefits under the plan, and the retirees currently receiving benefit under the plan. The annuity contracts are administered by the Principal Financial Group, and are held and invested separately from all other City funds. The plan is a single-employer plan.

Plan Description. The plan is a single-employer public employee defined benefit pension plan established and administered by the City of Portage. The plan covers certain department heads and non-union employees who opted not to join a defined contribution plan, plus police radio operators. Participants include several terminated vested persons from other employee groups. The Plan provides retirement and death benefits to plan members and beneficiaries. The authority to establish and amend the benefit provisions rests with the City Council, under City Charter Section 6.17. The plan is considered part of the City of Portage's financial reporting entity, and is disclosed as a pension trust fiduciary fund in the City's financial reports. A financial statement may be obtained by writing to City of Portage, Finance Department, 7900 South Westnedge Avenue, Portage, Michigan 49002 or by calling (269) 329 - 4451.

Funding Policy. There are no required contributions by plan members. The plan has 4 active participants grandfathered in this defined benefit plan at the time that the City adopted the Defined Contribution plan. The contribution requirements of plan members and the employer were established by City Council and may be amended by City Council. Recommended contributions are actuarially determined. Administrative costs are funded through investment earnings. Please refer to the schedule of funding progress in the required supplemental section of this document.

Annual Pension Cost and Net Pension Obligation.

	<u>June 30, 2008</u>
Annual recommended contribution	\$ -0-
Interest on net pension obligation	-0-
Annual pension cost	-0-
Contribution made	-0-
Increase (decrease) in net pension obligation	-0-
Net pension obligation, beginning of year	-0-
Net pension obligation, end of year	-0-

The annual required contribution was determined as part of the July 1, 2008, actuarial valuation using the entry age normal cost method. The actuarial assumptions include (a) an 8% investment rate of return, and (b) projected salary increases of 4% per year, compounded annually, attributable to inflation. The entry age normal cost method is used. This method does not identify or separately amortize unfunded actuarial liabilities (or funding excess). The effect of this actuarial technique is to smooth the effects of short-term volatility in the market value over a four-year period. The plan has not required contributions for several years due to an overfunded condition in the trust.

Summary of Significant Accounting Policies:

Basis of Accounting. The defined benefit plan is maintained as a pension trust fiduciary fund and is included as part of the City's reporting entity. The financial statements of the fund are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Recommended contribution amounts to satisfy unfunded accrued pension liability are based on a 30-year amortization period. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments. Plan investments are reported at fair value. Investment value is determined according to the contract lump sum transfer provision ignoring any contract restrictions on such transfer. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national, or international, exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest, and are discounted at the prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
06/30/04	\$ 0	100%	\$ 0
06/30/05	\$ 0	100%	\$ 0
06/30/06	\$ 0	100%	\$ 0
06/30/07	\$ 0	100%	\$ 0
06/30/08	\$ 0	100%	\$ 0

12. DEFINED CONTRIBUTION PLANS

The City has established a number of defined contribution plans that supersede the defined benefit plan. Employees at the time had the choice of transferring to the defined contribution plans. Each employee group has its own separate plan. The non-union and department head plans are administered by the City through trust agreements with the International City/County Management Association Retirement Corporation (ICMARC). The union plans are administered by the respective unions through trust agreements with PPS&V Asset Management Consultants, Inc. Selected employees in the Police Command and Street Foreman union groups are allowed to self-direct their investments. However, this does not change the responsibilities of the plan administrator. Financial statements for each plan can be obtained from the Finance Director, City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002.

Plan Description. The plans cover all full-time employees, except those still enrolled in the defined benefit plan. Plan members are not required to contribute. Plan provision and contribution requirements are established and may be amended by the City Council, under City Charter Section 6.17. The City is required to contribute either specific dollar amounts or specific percentages of full-time salary costs, depending on the employee group. During the fiscal year ended June 30, 2008, the City contributed \$1,853,048 to the various plans, representing an aggregate of approximately 15.73% of covered payroll. No contributions were made to the plans by their participants.

13. OTHER POST EMPLOYMENT BENEFITS

In the fiscal year ending June 30, 2008, the City adopted the provision of Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City provides post employment health insurance benefits according to the requirements and terms of various employment contracts, personnel policies and/or collective bargaining agreements entered into over the years. The City maintains trusts for post retirement health funding for the following groups: Portage Police Command Officers Pre-Age 65 Coverage, Non-union Employees, and Department Heads. Based on the terms of collective bargaining agreements, contributions are being made by the City directly to the union-held and -managed OPEB funds of the Portage Police Officers Association (PPOA), the Portage Police Command Officers Association (PPCOA) Post-Age 65 Coverage, and for the Portage membership of the International Association of Firefighters (IAFF). The administration and operation of the PPOA, PPCOA Post-Age 65 Coverage and IAFF OPEB retiree health benefit programs are completely independent of, and separate from, the City of Portage.

Plan Description. The Portage held retiree health benefit plans are a single-employer plan administered by the City. The authority to establish and amend the benefit provisions rest with the City Council under City charter Section 6.17. The plan is considered a part of the City of Portage's financial reporting entity, and is disclosed as a fiduciary trust fund in the City's financial reports. Separate financial statements are not issued for these trusts. The trust assets are held and managed by the Municipal Employees Retirement System of Michigan (MERS).

Funding Policy. There are no required contributions by plan participants. The plan has 19 retiree participants who meet the eligibility requirements. Recommended contributions are actuarially determined. The amounts of the contributions that are made annually to the union-held and -managed OPEB plans for the PPOA, PPCOA and IAFF groups are based on collective bargaining agreements. The plan is 100% funded on an actuarial basis, and more than fully funded on a net present value basis. Please refer to the schedule of funding progress in the required supplemental information section of this document.

Annual Recommended Cost and Net Obligation.

	<u>June 30, 2008</u>
Annual recommended contribution	\$ 374,604
Interest on net pension obligation	-0-
Annual pension cost	\$374,604
Contribution made	\$444,346
Increase (decrease) in net pension obligation	(\$69,742)
Net pension obligation, beginning of year	-0-
Net pension obligation, end of year	-0-

Summary of Significant Accounting Policies

Basis of Accounting. The Retiree Health Benefit fund is maintained as a fiduciary trust fund using the accrual basis of accounting. Employer contributions are recognized in the period when the contribution is due, and the City has made a formal commitment to provide the contributions.

The City purchases commercial health insurance to provide the benefit that is provided for the retiree. The insurance policy provides coverage of medical expenses and costs according to the specific agreements applicable to the employee group. Dependent coverage, if requested, is paid by the retiree. During fiscal 2007/2008, the City paid \$114,592 for a total of 19 participants in retiree health insurance premiums.

Methods Used to Value Investments. Investments are reported at fair value.

Actuarial Assumptions. The Annual Required Contribution (ARC) was determined for the current year as part of the June 30, 2008 actuarial valuation. A discount rate of 7% was used along with an assumption of a 7% rate of return on plan assets. Pre- and post-retirement mortality assumptions are based on the 1983 unisex mortality table. Net medical trend rates are assumed to be 7% from 2007-2011, 6% from 2012-2016, 5% from 2017-2021 and 4% after 2021. Withdrawal is 10% at age 20 graded down to zero at age 55. No disability is assumed. Assumed retirement ages are 60 for non-union and department heads with 15 years of service, and 55 for PPCOA with 20 years of service. The amortization period in all cases is an open 30 years. The plan uses the projected unit credit funding method. Under this method, benefits paid are based on past and anticipated future employment.

Trend Information

Fiscal Year Ending	Annual Cost	Percentage Contributed	Net Obligation
06/30/2007	-0-	100%	-0-
06/30/2008	\$374,604	100%	-0-

14. DEFERRED COMPENSATION PLAN

The City provides an approved deferred compensation plan, under Section 457 of the Internal Revenue Code, that is administered by the ICMA Retirement Corporation. All City employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distributions to participants in accordance with the plan document.

15. EXPENDITURES IN EXCESS OF APPROPRIATIONS

No general fund department spent in excess of appropriations for the year ended June 30, 2008. In the Building Authority debt service fund, expenditures exceeded budget by \$513, but the net change in fund balance was positive. No other fund spent in excess of appropriations.

Defined Benefit Retirement Plan

Schedule of Funding Progress

The amount shown below as actuarial accrued liability is computed using the Projected Unit Credit method of funding under the entry age normal cost method. The three most recent years of funding progress are as follows:

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a) / (b)	Excess of Assets Over AAL (d) (a) – (b)	Annual Covered Payroll (e)	Excess as a Percentage of Covered Payroll (d) / (e)
2006	3,390,348	2,525,454	134.25%	864,894	175,443	492.98%
2007	3,357,900	2,727,468	123.11%	630,432	182,753	344.96%
2008	3,344,865	2,650,018	126.22%	694,847	144,747	480.04%

Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of a plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due.

**Postemployment Benefits Other Than Pensions:
City of Portage Retiree Healthcare Funding Plans**

Schedule of Funding Progress

The amount shown below as actuarial accrued liability is computed using the Projected Unit Credit method of funding under the entry age normal cost method. The year ended June 30, 2008, is the year of implementation for the Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* under which a history of the proceeding three years of funding will be disclosed on an annual basis. In this initial reporting year, the status of funding is shown as follows:

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a) / (b)	Excess of Assets Over AAL (d) (a) – (b)	Annual Covered Payroll (e)	Excess as a Percentage of Covered Payroll (d) / (e)
2006	0	0	0	0	0	0
2007	\$2,457,436	\$4,343,553	56.58%	(\$1,886,117)	\$5,269,606	35.79%
2008	\$2,921,291	\$4,715,003	61.96%	(\$1,793,712)	\$5,121,748	35.02%

Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of a plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. A conservative estimate of annual covered payroll was used for this presentation.

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2008

	Special Revenue Funds	Debt Service Funds	Cemetery Permanent Fund	C.D.B.G. Program Income Fund	Total
ASSETS					
Cash and investments	\$ 676,315	\$ 2,179,911	\$ 838,738	\$ 5,571	\$ 3,700,535
Accounts receivable	165,091	100,000	-	1,018,446	1,283,537
Due from other governments	98,757	-	-	-	98,757
Prepaid costs	4,053	104,937	-	-	108,990
Total assets	<u>944,216</u>	<u>2,384,848</u>	<u>838,738</u>	<u>1,024,017</u>	<u>5,191,819</u>
LIABILITIES					
Accounts payable	9,564	4,773	-	39	14,376
Checks issued against future deposits	57,020	20,158	-	-	77,178
Accrued compensation	17,047	-	-	-	17,047
Interest payable	-	48,437	-	-	48,437
Deferred revenue	10,007	-	-	1,018,446	1,028,453
Deposits payable	25,000	-	-	-	25,000
Total liabilities	<u>118,638</u>	<u>73,368</u>	<u>-</u>	<u>1,018,485</u>	<u>1,210,491</u>
FUND BALANCES					
Reserved for encumbrances	176,346	-	-	-	176,346
Reserved for prepaid costs	4,053	-	-	-	4,053
Reserved for uncompleted projects	125,934	-	-	-	125,934
Reserved for debt service	-	2,311,480	-	-	2,311,480
Reserved for perpetual care	-	-	838,738	-	838,738
Reserved for loans	-	-	-	5,532	5,532
Unreserved and undesignated	519,245	-	-	-	519,245
Total fund balances	<u>825,578</u>	<u>2,311,480</u>	<u>838,738</u>	<u>5,532</u>	<u>3,981,328</u>
Total liabilities and fund balances	<u>\$ 944,216</u>	<u>\$ 2,384,848</u>	<u>\$ 838,738</u>	<u>\$ 1,024,017</u>	<u>\$ 5,191,819</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2008

	Special Revenue Funds	Debt Service Funds	Cemetery Permanent Fund	C.D.B.G. Program Income Fund	Total
REVENUES					
Taxes and special assessments	\$ 1,983,559	\$ 989,622	\$ -	\$ -	\$ 2,973,181
Licenses and permits	570,470	-	-	-	570,470
Intergovernmental	288,114	-	-	-	288,114
Charges for services	50,581	-	48,125	50,466	149,172
Interest and rents	28,436	313,081	22,486	-	364,003
Other	96,077	-	-	532	96,609
Total revenues	<u>3,017,237</u>	<u>1,302,703</u>	<u>70,611</u>	<u>50,998</u>	<u>4,441,549</u>
EXPENDITURES					
Current:					
General government	45,005	-	-	-	45,005
Public safety	49,186	-	-	-	49,186
Health and welfare	1,388,983	-	-	9,000	1,397,983
Recreation and cultural	602,136	-	-	-	602,136
Debt service:					
Principal	-	3,327,880	-	-	3,327,880
Interest and fiscal charges	-	2,601,544	-	-	2,601,544
Total expenditures	<u>2,085,310</u>	<u>5,929,424</u>	<u>-</u>	<u>9,000</u>	<u>8,023,734</u>
Excess (deficiency) of revenues over expenditures	<u>931,927</u>	<u>(4,626,721)</u>	<u>70,611</u>	<u>41,998</u>	<u>(3,582,185)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt obligations	-	1,055,000	-	-	1,055,000
Issuance of refunding bonds	-	2,925,000	-	-	2,925,000
Transfers in	43,124	4,823,229	-	-	4,866,353
Payment to refunded bonds escrow agent	-	(2,825,000)	-	-	(2,825,000)
Transfers out	<u>(703,486)</u>	<u>(1,221,255)</u>	<u>(27,000)</u>	<u>(43,124)</u>	<u>(1,994,865)</u>
Total other financing sources (uses)	<u>(660,362)</u>	<u>4,756,974</u>	<u>(27,000)</u>	<u>(43,124)</u>	<u>4,026,488</u>
Net change in fund balances	271,565	130,253	43,611	(1,126)	444,303
Fund balances - beginning	<u>554,013</u>	<u>2,181,227</u>	<u>795,127</u>	<u>6,658</u>	<u>3,537,025</u>
Fund balances - ending	<u>\$ 825,578</u>	<u>\$ 2,311,480</u>	<u>\$ 838,738</u>	<u>\$ 5,532</u>	<u>\$ 3,981,328</u>

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds

June 30, 2008

	Cultural Activities Fund	Cable Television Fund	Community Development Block Grant Fund	MiSHDA Grant Fund	Brownfield Redevelopment Authority Fund	West Lake Management Program	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Municipal Streets Fund	Total
ASSETS										
Cash and investments	\$ 9,718	\$ 138,807	\$ -	\$ 1,713	\$ 5,055	\$ 125,565	\$ 118,837	\$ 197,919	\$ 78,701	\$ 676,315
Accounts receivable	7,500	147,584	-	-	-	10,007	-	-	-	165,091
Due from other governments	-	-	63,121	-	-	369	9,776	13,191	12,300	98,757
Prepaid costs	2,645	-	-	-	-	-	704	704	-	4,053
Total assets	<u>19,863</u>	<u>286,391</u>	<u>63,121</u>	<u>1,713</u>	<u>5,055</u>	<u>135,941</u>	<u>129,317</u>	<u>211,814</u>	<u>91,001</u>	<u>944,216</u>
LIABILITIES										
Accounts payable	-	(1)	1,596	1,228	-	-	4,650	2,091	-	9,564
Checks issued against future deposits	-	-	57,020	-	-	-	-	-	-	57,020
Accrued compensation	7,349	3,129	4,505	-	-	-	774	1,290	-	17,047
Deferred revenue	-	-	-	-	-	10,007	-	-	-	10,007
Deposits payable	-	25,000	-	-	-	-	-	-	-	25,000
Total liabilities	<u>7,349</u>	<u>28,128</u>	<u>63,121</u>	<u>1,228</u>	<u>-</u>	<u>10,007</u>	<u>5,424</u>	<u>3,381</u>	<u>-</u>	<u>118,638</u>
FUND BALANCES										
Reserved:										
Reserved for encumbrances	2,734	55,325	-	-	2,000	-	1,555	114,732	-	176,346
Reserved for prepaid costs	2,645	-	-	-	-	-	704	704	-	4,053
Reserved for lakes maintenance	-	-	-	-	-	125,934	-	-	-	125,934
Unreserved:										
Undesignated	7,135	202,938	-	485	3,055	-	121,634	92,997	91,001	519,245
Total fund balances	<u>12,514</u>	<u>258,263</u>	<u>-</u>	<u>485</u>	<u>5,055</u>	<u>125,934</u>	<u>123,893</u>	<u>208,433</u>	<u>91,001</u>	<u>825,578</u>
Total liabilities and fund balances	<u>\$ 19,863</u>	<u>\$ 286,391</u>	<u>\$ 63,121</u>	<u>\$ 1,713</u>	<u>\$ 5,055</u>	<u>\$ 135,941</u>	<u>\$ 129,317</u>	<u>\$ 211,814</u>	<u>\$ 91,001</u>	<u>\$ 944,216</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2008

	Cultural Activities Fund	Cable Television Fund	Community Development Block Grant Fund	MiSHDA Grant Fund	Brownfield Redevelopment Authority Fund	West Lake Management Fund	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Municipal Streets Fund	Total
REVENUES:										
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,449	\$ 547,723	\$ 738,468	\$ 685,919	\$ 1,983,559
Licenses and permits	-	570,470	-	-	-	-	-	-	-	570,470
Intergovernmental	-	-	222,800	65,314	-	-	-	-	-	288,114
Charges for services	50,581	-	-	-	-	-	-	-	-	50,581
Interest on investments	47	3,033	-	-	55	3,925	8,390	11,547	1,439	28,436
Reimbursements	-	-	-	-	-	-	-	-	-	-
Other	95,033	-	-	-	-	-	-	1,044	-	96,077
Total revenues	<u>145,661</u>	<u>573,503</u>	<u>222,800</u>	<u>65,314</u>	<u>55</u>	<u>15,374</u>	<u>556,113</u>	<u>751,059</u>	<u>687,358</u>	<u>3,017,237</u>
EXPENDITURES:										
General government	-	-	45,005	-	-	-	-	-	-	45,005
Public safety	-	-	49,186	-	-	-	-	-	-	49,186
Health and welfare	-	-	171,733	64,829	-	-	537,777	614,644	-	1,388,983
Recreation and cultural	148,483	426,268	-	-	-	27,385	-	-	-	602,136
Total expenditures	<u>148,483</u>	<u>426,268</u>	<u>265,924</u>	<u>64,829</u>	<u>-</u>	<u>27,385</u>	<u>537,777</u>	<u>614,644</u>	<u>-</u>	<u>2,085,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,822)</u>	<u>147,235</u>	<u>(43,124)</u>	<u>485</u>	<u>55</u>	<u>(12,011)</u>	<u>18,336</u>	<u>136,415</u>	<u>687,358</u>	<u>931,927</u>
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	43,124	-	-	-	-	-	-	43,124
Transfers out	-	(87,400)	-	-	-	-	-	(19,729)	(596,357)	(703,486)
Total other financing sources and (uses)	<u>-</u>	<u>(87,400)</u>	<u>43,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,729)</u>	<u>(596,357)</u>	<u>(660,362)</u>
Net change in fund balances	(2,822)	59,835	-	485	55	(12,011)	18,336	116,686	91,001	271,565
Fund balances - beginning	15,336	198,428	-	-	5,000	137,945	105,557	91,747	-	554,013
Fund balances - ending	<u>\$ 12,514</u>	<u>\$ 258,263</u>	<u>\$ -</u>	<u>\$ 485</u>	<u>\$ 5,055</u>	<u>\$ 125,934</u>	<u>\$ 123,893</u>	<u>\$ 208,433</u>	<u>\$ 91,001</u>	<u>\$ 825,578</u>

CITY OF PORTAGE, MICHIGAN

Cultural Activities Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008			2007
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUES				
Charges for services	\$ 56,300	\$ 50,581	\$ (5,719)	\$ 40,415
Interest on investments	600	47	(553)	90
Other	95,000	95,033	33	101,230
Total revenues	<u>151,900</u>	<u>145,661</u>	<u>(6,239)</u>	<u>141,735</u>
EXPENDITURES				
Cultural Activities	<u>153,222</u>	<u>148,483</u>	<u>4,739</u>	<u>141,397</u>
Total expenditures	<u>153,222</u>	<u>148,483</u>	<u>4,739</u>	<u>141,397</u>
Excess (deficiency) of revenues over expenditures	(1,322)	(2,822)	(1,500)	338
Fund balance - beginning	<u>15,336</u>	<u>15,336</u>	-	<u>14,998</u>
Fund balance - ending	<u>\$ 14,014</u>	<u>\$ 12,514</u>	<u>\$ (1,500)</u>	<u>\$ 15,336</u>

CITY OF PORTAGE, MICHIGAN

Cable Television Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUE:			
Licenses and permits:			
Annual fees	\$ 506,000	\$ 570,470	\$ 64,470
Interest on investments	1,500	3,033	1,722
Total revenues	<u>507,500</u>	<u>573,503</u>	<u>66,003</u>
EXPENDITURES:			
Recreation and cultural:			
Operations	<u>537,816</u>	<u>426,268</u>	<u>111,548</u>
Total expenditures	<u>537,816</u>	<u>426,268</u>	<u>111,548</u>
Excess (deficiency) of revenues over expenditures	(30,316)	147,235	177,551
OTHER FINANCING USES:			
Transfers:			
General Fund	<u>(87,400)</u>	<u>(87,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>(87,400)</u>	<u>(87,400)</u>	<u>-</u>
Net change in fund balance	(117,716)	59,835	177,551
Fund balance - beginning	<u>198,428</u>	<u>198,428</u>	<u>-</u>
Fund balance - ending	<u>\$ 80,712</u>	<u>\$ 258,263</u>	<u>\$ 177,551</u>

CITY OF PORTAGE, MICHIGAN

Community Development Block Grant Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008			2007
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUE:				
Intergovernmental:				
Federal grants	\$ 350,089	\$ 222,800	\$ (127,289)	\$ 242,965
Total revenues	<u>350,089</u>	<u>222,800</u>	<u>(127,289)</u>	<u>242,965</u>
EXPENDITURES:				
General government:				
Administration	48,625	45,005	3,620	42,919
Public safety:				
Code enforcement	61,005	49,186	11,819	56,322
Health and welfare:				
Housing rehabilitation	208,810	138,803	70,007	110,586
Portage Community Outreach Center	32,930	32,930	-	33,138
Total expenditures	<u>351,370</u>	<u>265,924</u>	<u>85,446</u>	<u>242,965</u>
Excess (deficiency) of revenues over expenditures	(1,281)	(43,124)	41,843	-
OTHER FINANCING USES:				
Transfers in:				
CDBG Program Income Fund	-	43,124	(43,124)	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ (1,281)</u>	<u>\$ -</u>	<u>\$ (1,281)</u>	<u>\$ -</u>

CITY OF PORTAGE, MICHIGAN

Michigan State Housing Development Authority Grant Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUE:			
Intergovernmental:			
State grants	\$ 130,000	\$ 65,314	\$ (64,686)
Total revenues	130,000	65,314	25,210
EXPENDITURES:			
Health and welfare:			
Housing rehabilitation	130,000	64,829	25,210
Total expenditures	130,000	64,829	25,210
Excess (deficiency) of revenues over expenditures	-	485	-
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ 485	\$ -

CITY OF PORTAGE, MICHIGAN

Brownfield Redevelopment Authority Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2007 Actual
REVENUE:				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -
Interest on investments	-	55	55	-
Total revenues	-	55	55	-
EXPENDITURES:				
Health & welfare				
Legal services	5,000	-	5,000	-
Total expenditures	5,000	-	5,000	-
Excess (deficiency) of revenues over expenditures	(5,000)	55	5,055	-
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
General Fund	-	-	-	5,000
Total other financing sources (uses)	-	-	-	5,000
Net change in fund balance	(5,000)	55	5,055	5,000
Fund balance - beginning	5,000	5,000	-	-
Fund balance - ending	\$ -	\$ 5,055	\$ 5,055	\$ 5,000

CITY OF PORTAGE, MICHIGAN

West Lake Management Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUE:			
Taxes and special assessments	\$ 6,076	\$ 11,449	\$ 5,373
Interest on investments	1,500	3,925	2,425
Total revenues	<u>7,576</u>	<u>15,374</u>	<u>7,798</u>
EXPENDITURES:			
Recreation and Cultural:			
Weed control	45,000	27,385	17,615
Total expenditures	<u>45,000</u>	<u>27,385</u>	<u>17,615</u>
Excess (deficiency) of revenues over expenditures	<u>(37,424)</u>	<u>(12,011)</u>	<u>25,413</u>
Net change in fund balance	(37,424)	(12,011)	25,413
Fund balance - beginning	<u>137,945</u>	<u>137,945</u>	<u>-</u>
Fund balance - ending	<u>\$ 100,521</u>	<u>\$ 125,934</u>	<u>\$ 137,945</u>

CITY OF PORTAGE, MICHIGAN

Curbside Recycling Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUE:			
Taxes and special assessments	\$ 537,700	\$ 547,723	\$ 10,023
Interest on investments	14,000	8,390	(5,610)
Total revenues	<u>551,700</u>	<u>556,113</u>	<u>4,413</u>
EXPENDITURES:			
Health and welfare:			
Operations	599,354	537,777	61,577
Total expenditures	<u>599,354</u>	<u>537,777</u>	<u>61,577</u>
Excess (deficiency) of revenues over expenditures	<u>(47,654)</u>	<u>18,336</u>	<u>65,990</u>
Net change in fund balance	(47,654)	18,336	65,990
Fund balance - beginning	<u>105,557</u>	<u>105,557</u>	<u>-</u>
Fund balance - ending	<u>\$ 57,903</u>	<u>\$ 123,893</u>	<u>\$ 65,990</u>

CITY OF PORTAGE, MICHIGAN

Leaf Pickup / Spring Cleanup Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008			2007
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUE:				
Taxes and special assessments	\$ 725,600	\$ 738,468	\$ 12,868	\$ 711,370
Interest on investments	13,000	11,547	(1,453)	8,813
Other revenue	-	1,044	1,044	937
Total revenues	<u>738,600</u>	<u>751,059</u>	<u>12,459</u>	<u>721,120</u>
EXPENDITURES:				
Health and welfare:				
Operations	800,838	614,644	186,194	588,821
Total expenditures	<u>800,838</u>	<u>614,644</u>	<u>186,194</u>	<u>588,821</u>
Excess (deficiency) of revenues over expenditures	<u>(62,238)</u>	<u>136,415</u>	<u>198,653</u>	<u>132,299</u>
OTHER FINANCING SOURCES (USES):				
Transfer in (out):				
General Fund	-	-	-	(50,000)
Debt Service Fund	(19,729)	(19,729)	-	(20,006)
Total other financing sources (uses)	<u>(19,729)</u>	<u>(19,729)</u>	<u>-</u>	<u>(70,006)</u>
Net change in fund balance	(81,967)	116,686	198,653	62,293
Fund balance - beginning	<u>91,747</u>	<u>91,747</u>	<u>-</u>	<u>29,454</u>
Fund balance - ending	<u>\$ 9,780</u>	<u>\$ 208,433</u>	<u>\$ 198,653</u>	<u>\$ 91,747</u>

CITY OF PORTAGE, MICHIGAN

Municipal Streets Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007

	2008			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2007 Actual
REVENUE:				
Taxes and special assessments	\$ 676,500	\$ 685,919	\$ 9,419	\$ -
Interest on investments	-	1,439	1,439	-
Total revenues	<u>676,500</u>	<u>687,358</u>	<u>10,858</u>	<u>-</u>
EXPENDITURES:				
Health and welfare:				
Operations	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>676,500</u>	<u>687,358</u>	<u>10,858</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfer in (out):				
Capital Improvement Fund	(596,357)	(596,357)	-	-
Total other financing sources (uses)	<u>(596,357)</u>	<u>(596,357)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	80,143	91,001	10,858	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 80,143</u>	<u>\$ 91,001</u>	<u>\$ 10,858</u>	<u>\$ -</u>

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Debt Service Funds

June 30, 2008

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Service Fund	Local Development Finance Authority 2 Debt Service Fund	Total
ASSETS						
Cash and investments	\$ -	\$ 3,159	\$ 283,721	\$ 57,860	\$ 1,835,171	\$ 2,179,911
Accounts receivable	-	-	-	100,000	-	100,000
Due from other governments	-	-	-	-	-	-
Prepaid asset acquisition costs	104,937	-	-	-	-	104,937
Special assessments receivable	-	-	-	-	-	-
Total assets	<u>104,937</u>	<u>3,159</u>	<u>283,721</u>	<u>157,860</u>	<u>1,835,171</u>	<u>2,384,848</u>
LIABILITIES						
Accounts payable	-	-	-	4,773	-	4,773
Checks issued against future deposits	20,158	-	-	-	-	20,158
Interest payable	<u>48,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,437</u>
Total liabilities	<u>68,595</u>	<u>-</u>	<u>-</u>	<u>4,773</u>	<u>-</u>	<u>73,368</u>
FUND BALANCES						
Reserved for debt service	<u>36,342</u>	<u>3,159</u>	<u>283,721</u>	<u>153,087</u>	<u>1,835,171</u>	<u>2,311,480</u>
Total fund balances	<u>36,342</u>	<u>3,159</u>	<u>283,721</u>	<u>153,087</u>	<u>1,835,171</u>	<u>2,311,480</u>
Total liabilities and fund balances	<u>\$ 104,937</u>	<u>\$ 3,159</u>	<u>\$ 283,721</u>	<u>\$ 157,860</u>	<u>\$ 1,835,171</u>	<u>\$ 2,384,848</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds

Fiscal Year Ended June 30, 2008

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Service Fund	Local Development Finance Authority 2004 Debt Service Fund	Total
REVENUES:						
Taxes and special assessments	\$ 238	\$ -	\$ 390,419	\$ -	\$ 598,965	\$ 989,622
Interest on investments	-	148	9,411	-	47,392	56,951
Rental revenue	-	-	-	256,130	-	256,130
Total revenues	<u>238</u>	<u>148</u>	<u>399,830</u>	<u>256,130</u>	<u>646,357</u>	<u>1,302,703</u>
EXPENDITURES:						
Debt Service:						
Principal retirement	1,612,496	835,000	120,000	620,384	140,000	3,327,880
Interest and fiscal charges	870,507	570,201	263,318	571,729	325,789	2,601,544
Total expenditures	<u>2,483,003</u>	<u>1,405,201</u>	<u>383,318</u>	<u>1,192,113</u>	<u>465,789</u>	<u>5,929,424</u>
Excess (deficiency) of revenues over expenditures	<u>(2,482,765)</u>	<u>(1,405,053)</u>	<u>16,512</u>	<u>(935,983)</u>	<u>180,568</u>	<u>(4,626,721)</u>
OTHER FINANCING SOURCES (USES):						
Issuance of debt obligations	1,055,000	-	-	-	-	1,055,000
Issuance of refunding bonds	-	-	-	2,925,000	-	2,925,000
Transfers in:						
Capital Improvement Fund	2,471,000	1,398,500	-	934,000	-	4,803,500
Special Assessment Fund	19,729	-	-	-	-	19,729
Payment to refunded bonds escrow agent	-	-	-	(2,825,000)	-	(2,825,000)
Operating transfers out:						
Capital Improvement Projects Fund	(1,055,000)	-	-	-	(97,947)	(1,152,947)
Water Fund	-	-	-	-	(68,308)	(68,308)
Total other financing sources (uses)	<u>2,490,729</u>	<u>1,398,500</u>	<u>-</u>	<u>1,034,000</u>	<u>(166,255)</u>	<u>4,756,974</u>
Net change in fund balance	7,964	(6,553)	16,512	98,017	14,313	130,253
Fund balances - beginning	<u>28,378</u>	<u>9,712</u>	<u>267,209</u>	<u>55,070</u>	<u>1,820,858</u>	<u>2,181,227</u>
Fund balances - ending	<u>\$ 36,342</u>	<u>\$ 3,159</u>	<u>\$ 283,721</u>	<u>\$ 153,087</u>	<u>\$ 1,835,171</u>	<u>\$ 2,311,480</u>

CITY OF PORTAGE, MICHIGAN

General Obligation Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007

	2008			2007
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUES				
Taxes	\$ -	\$ 238	\$ 238	\$ 304
Interest on investments	-	-	-	4,154
Total revenues	-	238	238	4,458
EXPENDITURES				
Debt Service:				
Principal retirement	2,674,252	1,612,496	1,061,756	1,444,505
Interest and fiscal charges	909,659	870,507	39,152	915,606
Total expenditures	3,583,911	2,483,003	1,100,908	2,360,111
Excess (deficiency) of revenues over expenditures	(3,583,911)	(2,482,765)	1,101,146	(2,355,653)
OTHER FINANCING SOURCES:				
Issuance of debt	1,055,000	1,055,000	-	
Transfers in:				
Leaf Pickup/Spring Cleanup Fund	19,729	19,729	-	20,006
Capital Improvement Funds	2,595,000	2,471,000	(124,000)	2,356,000
Transfers out:				
Capital Improvement Funds	-	(1,055,000)	(1,055,000)	-
Total other financing sources (uses)	3,669,729	2,490,729	(1,179,000)	2,376,006
Net change in fund balance	85,818	7,964	(77,854)	20,353
Fund balance - beginning	28,378	28,378	-	8,025
Fund balance - ending	\$ 114,196	\$ 36,342	\$ (77,854)	\$ 28,378

CITY OF PORTAGE, MICHIGAN

Motor Vehicle Highway Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUES			
Interest on investments	\$ -	\$ 148	\$ 148
Total revenues	-	148	1,310
EXPENDITURES			
Debt Service:			
Principal retirement	835,000	835,000	-
Interest and fiscal charges	572,327	570,201	2,126
Total expenditures	1,407,327	1,405,201	2,126
Excess (deficiency) of revenues over expenditures	(1,407,327)	(1,405,053)	2,274
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Capital Improvement Fund	1,408,000	1,398,500	(9,500)
Total other financing sources	1,408,000	1,398,500	(9,500)
Net change in fund balance	673	(6,553)	(7,226)
Fund balance - beginning	9,712	9,712	-
Fund balance - ending	\$ 10,385	\$ 3,159	\$ (7,226)

CITY OF PORTAGE, MICHIGAN

Downtown Development Authority Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUE:			
Taxes	\$ 344,900	\$ 390,419	\$ 45,519
Interest on investments	1,000	9,411	8,411
Other revenue	-	-	-
Total revenues	<u>345,900</u>	<u>399,830</u>	<u>53,930</u>
EXPENDITURES:			
Debt Service:			
Principal	120,000	120,000	-
Interest	<u>263,568</u>	<u>263,318</u>	<u>250</u>
Total expenditures	<u>383,568</u>	<u>383,318</u>	<u>250</u>
Excess of revenues over expenditures	<u>(37,668)</u>	<u>16,512</u>	<u>54,180</u>
Net change in fund balance	<u>(37,668)</u>	<u>16,512</u>	<u>54,180</u>
Fund balance - beginning	<u>267,209</u>	<u>267,209</u>	<u>-</u>
Fund balance - ending	<u>\$ 229,541</u>	<u>\$ 283,721</u>	<u>\$ 54,180</u>

CITY OF PORTAGE, MICHIGAN

Building Authority Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUES			
Interest on investments	\$ 5,000	\$ -	\$ (5,000)
Rental revenue	260,700	256,130	(4,570)
Other revenue	-	-	-
Total revenues	265,700	256,130	(9,570)
EXPENDITURES			
Debt Service:			
Principal	620,393	620,384	9
Interest	571,207	571,729	(522)
Total expenditures	1,191,600	1,192,113	(513)
Excess of revenues over expenditures	(925,900)	(935,983)	(10,083)
OTHER FINANCING SOURCES (USES):			
Issuance of refunding bonds	2,825,000	2,925,000	100,000
Transfers in:			
Capital Improvement Fund	935,000	934,000	(1,000)
Payment to refunded bonds escrow agent	(2,825,000)	(2,825,000)	-
Total other financing sources (uses)	935,000	1,034,000	99,000
Net change in fund balance	9,100	98,017	88,917
Fund balance - beginning	55,070	55,070	-
Fund balance - ending	\$ 64,170	\$ 153,087	\$ 88,917

CITY OF PORTAGE, MICHIGAN

Local Development Finance Authority 2004 Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUES			
Taxes and special assessments	\$ 400,000	\$ 598,965	\$ 198,965
Interest on investments	5,000	47,392	42,392
Total revenues	<u>405,000</u>	<u>646,357</u>	<u>241,357</u>
EXPENDITURES			
Debt Service:			
Principal	140,000	140,000	-
Interest	334,498	325,789	8,709
Economic development	10,000	-	10,000
Total expenditures	<u>484,498</u>	<u>465,789</u>	<u>18,709</u>
Excess (deficiency) of revenues over expenditures	<u>(79,498)</u>	<u>180,568</u>	<u>260,066</u>
OTHER FINANCING SOURCES			
Transfers out:			
Capital Improvement Fund	-	(97,947)	(97,947)
Water Fund	-	(68,308)	(68,308)
Total other financing sources (uses)	<u>-</u>	<u>(166,255)</u>	<u>(166,255)</u>
Net change in fund balance	(79,498)	14,313	93,811
Fund balance - beginning	<u>1,820,858</u>	<u>1,820,858</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,741,360</u>	<u>\$ 1,835,171</u>	<u>\$ 93,811</u>

CITY OF PORTAGE, MICHIGAN

Cemetery Permanent Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007

	2008		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2007 Actual
REVENUES			
Charges for services	\$ 40,000	\$ 48,125	\$ 8,125
Interest on investments	27,000	22,486	(4,514)
Total revenues	<u>67,000</u>	<u>70,611</u>	<u>3,611</u>
OTHER FINANCING SOURCES			
Transfers out:			
General Fund	(27,000)	(27,000)	-
Total other financing sources (uses)	<u>(27,000)</u>	<u>(27,000)</u>	<u>-</u>
Net change in fund balance	40,000	43,611	3,611
Fund balance - beginning	<u>795,127</u>	<u>795,127</u>	<u>-</u>
Fund balance - ending	<u>\$ 835,127</u>	<u>\$ 838,738</u>	<u>\$ 795,127</u>

CITY OF PORTAGE, MICHIGAN

Community Development Block Grant Program Income Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2007**

	2008			2007
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUES				
Loan principal	\$ 60,000	\$ 50,466	\$ (9,534)	\$ 52,155
Loan interest	-	532	532	4,183
Total revenues	<u>60,000</u>	<u>50,998</u>	<u>(9,002)</u>	<u>56,338</u>
EXPENDITURES				
Housing rehabilitation loans	51,300	-	51,300	77
Other	9,000	9,000	-	56,262
Total expenditures	<u>60,300</u>	<u>9,000</u>	<u>51,300</u>	<u>56,339</u>
Excess (deficiency) of revenues over expenditures	<u>(300)</u>	<u>41,998</u>	<u>42,298</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out:				
CDBG Fund	<u>-</u>	<u>(43,124)</u>	<u>43,124</u>	
Net other financing sources (uses)	<u>-</u>	<u>(43,124)</u>	<u>43,124</u>	<u>-</u>
Net change in fund balance	(300)	(1,126)	(826)	(1)
Fund balance - beginning	<u>6,658</u>	<u>6,658</u>	<u>-</u>	<u>6,659</u>
Fund balance - ending	<u>\$ 6,358</u>	<u>\$ 5,532</u>	<u>\$ (826)</u>	<u>\$ 6,658</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Net Assets

Internal Service Funds

June 30, 2008

	Equipment Fund	Insurance Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 149,390	\$ 934,242	\$ 1,083,632
Inventory	176,708	-	176,708
Prepaid costs	65,760	-	65,760
Total current assets	<u>391,858</u>	<u>934,242</u>	<u>1,326,100</u>
Capital assets:			
Land	22,489	-	22,489
Land improvements	123,769	-	123,769
Buildings	1,759,939	-	1,759,939
Machinery and equipment	976,508	-	976,508
Vehicles	3,797,692	-	3,797,692
Less accumulated depreciation	<u>(5,135,463)</u>	<u>-</u>	<u>(5,135,463)</u>
Total capital assets (net of accumulated depreciation)	<u>1,544,934</u>	<u>-</u>	<u>1,544,934</u>
Total assets	<u>1,936,792</u>	<u>934,242</u>	<u>2,871,034</u>
LIABILITIES			
Current liabilities:			
Accounts payable	41,735	-	41,735
Accrued compensation	7,170	-	7,170
Workers' compensation	-	759,915	759,915
Accrued interest payable	16,766	-	16,766
Current portion of long-term debt	293,100	-	293,100
Total current liabilities	<u>358,771</u>	<u>759,915</u>	<u>1,118,686</u>
Long term liabilities:			
Notes payable (net of current portion)	64,064	-	64,064
Capital lease (net of current portion)	980,903	-	980,903
Accrued vacation and sick pay	37,902	-	37,902
Total long term liabilities	<u>1,082,869</u>	<u>-</u>	<u>1,082,869</u>
Total liabilities	<u>1,441,640</u>	<u>759,915</u>	<u>2,201,555</u>
NET ASSETS			
Invested in capital assets (net of related debt)	206,867	-	206,867
Unrestricted	288,285	174,327	462,612
Total net assets	<u>\$ 495,152</u>	<u>\$ 174,327</u>	<u>\$ 669,479</u>

CITY OF PORTAGE, MICHIGAN
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Fiscal Year Ended June 30, 2008

	Equipment Fund	Insurance Fund	Total
Operating revenues:			
Charges for services:			
User charges	\$ 1,589,319	\$ 382,858	\$ 1,972,177
Other	25,311	-	25,311
Total operating revenue	<u>1,614,630</u>	<u>382,858</u>	<u>1,997,488</u>
Operating expenses:			
Operations and maintenance:			
Equipment	1,201,648	-	1,201,648
Workers' compensation	-	382,858	382,858
Depreciation	365,420	-	365,420
Total operating expenses	<u>1,567,068</u>	<u>382,858</u>	<u>1,949,926</u>
Operating income	<u>47,562</u>	<u>-</u>	<u>47,562</u>
Nonoperating revenues (expenses):			
Interest on investments	11,671	27,170	38,841
Interest and fiscal charges	(61,310)	-	(61,310)
Total nonoperating revenues (expenses)	<u>(49,639)</u>	<u>27,170</u>	<u>(22,469)</u>
Income before contributions and transfers	(2,077)	27,170	25,093
Transfers in (out)	<u>2,077</u>	<u>-</u>	<u>2,077</u>
Change in net assets	-	27,170	27,170
Total net assets - beginning	<u>495,152</u>	<u>147,157</u>	<u>642,309</u>
Total net assets - ending	<u><u>\$ 495,152</u></u>	<u><u>\$ 174,327</u></u>	<u><u>\$ 669,479</u></u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2008

	Equipment Fund	Insurance Fund	Total
OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,614,630	382,858	\$ 1,997,488
Cash payments to suppliers for goods and services	(974,830)	(477,630)	(1,452,460)
Cash payments to employees for services	(302,877)	-	(302,877)
Cash provided by (used in) operating activities	<u>336,923</u>	<u>(94,772)</u>	<u>242,151</u>
NONCAPITAL FINANCING ACTIVITIES:			
Transfer from (to) other funds	<u>2,077</u>	-	<u>2,077</u>
Cash provided by (used in) noncapital and related financing activities	<u>2,077</u>	-	<u>2,077</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital borrowings	274,718	-	274,718
Acquisition and construction of capital assets	(109,624)	-	(109,624)
Principal paid on capital lease	(394,065)	-	(394,065)
Principal paid on notes	(8,008)	-	(8,008)
Interest and fiscal charges paid on capital lease and notes	(59,640)	-	(59,640)
Cash used in capital and related financing activities	<u>(296,619)</u>	-	<u>(296,619)</u>
INVESTING ACTIVITIES:			
Interest on investments	<u>11,671</u>	<u>27,170</u>	<u>38,841</u>
Cash provided by investing activities	<u>11,671</u>	<u>27,170</u>	<u>38,841</u>
Net increase (decrease) in cash and investments	54,052	(67,602)	(13,550)
Cash and investments - beginning of year	95,338	1,001,844	1,097,182
Cash and investments - end of year	<u>\$ 149,390</u>	<u>\$ 934,242</u>	<u>\$ 1,083,632</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 47,562	\$ -	\$ 47,562
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	365,420	-	365,420
(Increase) decrease in inventory	(89,255)	-	(89,255)
(Increase) in prepaid costs	(6,970)	-	(6,970)
Decrease in accounts payable	22,271	-	22,271
Increase (decrease) in accrued compensation	(2,105)	(94,772)	(96,877)
Net cash provided by operating activities	<u>\$ 336,923</u>	<u>\$ (94,772)</u>	<u>\$ 242,151</u>

CITY OF PORTAGE, MICHIGAN

Special Assessments Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUE:				
Special assessments	\$ 660,000	\$ 660,000	\$ 582,387	\$ (77,613)
Interest on special assessments	237,475	311,513	164,411	(147,102)
Interest on investments	65,800	65,800	115,806	50,006
Total revenues	<u>963,275</u>	<u>1,037,313</u>	<u>862,604</u>	<u>(174,709)</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	890,000	930,000	930,000	-
Interest and fiscal charges	270,950	304,988	298,731	6,257
Total expenditures	<u>1,160,950</u>	<u>1,234,988</u>	<u>1,228,731</u>	<u>6,257</u>
Excess (deficiency) of revenues over expenditures	<u>(197,675)</u>	<u>(197,675)</u>	<u>(366,127)</u>	<u>(168,452)</u>
Net change in fund balance	(197,675)	(197,675)	(366,127)	(168,452)
Fund balance - beginning	<u>3,988,644</u>	<u>3,988,644</u>	<u>3,988,644</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 3,790,969</u></u>	<u><u>\$ 3,790,969</u></u>	<u><u>\$ 3,622,517</u></u>	<u><u>\$ (168,452)</u></u>

CITY OF PORTAGE, MICHIGAN

Capital Projects Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUE:				
Taxes and special assessments	\$ 4,046,000	\$ 4,046,000	\$ 3,992,217	\$ (53,783)
Intergovernmental:				
Federal grants	1,395,000	295,000	-	(295,000)
Interest and rents	200,000	200,000	61,937	(138,063)
Other	178,000	532,000	104,250	(427,750)
Total revenues	<u>5,819,000</u>	<u>5,073,000</u>	<u>4,158,404</u>	<u>(914,596)</u>
EXPENDITURES:				
Capital outlay	5,162,000	12,149,887	5,680,736	6,469,151
Total expenditures	<u>5,162,000</u>	<u>12,149,887</u>	<u>5,680,736</u>	<u>6,469,151</u>
Excess (deficiency) of revenues over expenditures	<u>657,000</u>	<u>(7,076,887)</u>	<u>(1,522,332)</u>	<u>5,554,555</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of debt obligations	2,892,000	17,333,603	6,034,310	(11,299,293)
Premium on debt issuance	-	-	-	-
Transfers in	1,414,000	1,454,815	2,696,583	1,241,768
Transfers out	(4,963,000)	(5,003,815)	(4,803,500)	200,315
Total other financing sources and uses	<u>(657,000)</u>	<u>13,784,603</u>	<u>3,927,393</u>	<u>(9,857,210)</u>
Net change in fund balance	-	6,707,716	2,405,061	(4,302,655)
Fund balance - beginning	<u>(2,237,068)</u>	<u>(2,237,068)</u>	<u>(2,237,068)</u>	<u>-</u>
Fund balance - ending	<u>\$ (2,237,068)</u>	<u>\$ 4,470,648</u>	<u>\$ 167,993</u>	<u>\$ (4,302,655)</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Fiduciary Net Assets Pension Trust Funds

June 30, 2008

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Employee Benefit Trust Funds
<u>ASSETS</u>			
Cash and investments	\$ -	\$ 7,333	\$ 7,333
Cash and investments - non-pooled	-	2,893,754	2,893,754
Investments in fixed income securities	3,344,865	-	3,344,865
Total assets	<u>3,344,865</u>	<u>2,901,087</u>	<u>6,245,952</u>
<u>LIABILITIES</u>			
Deposits	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>			
Restricted for pension benefits	3,344,865	-	3,344,865
Restricted for retiree benefits	-	2,901,087	2,901,087
Total net assets	<u>\$ 3,344,865</u>	<u>\$ 2,901,087</u>	<u>\$ 6,245,952</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Changes in Fiduciary Net Assets Pension Trust Funds

Fiscal Year Ended June 30, 2008

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Employee Benefit Trust Funds
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Employer contributions	\$ -	\$ 444,346	\$ 444,346
	<u> </u>	<u> </u>	<u> </u>
Investment income			
Net increase in the fair value of investments	25,815	-	25,815
Interest income	183,585	(96,265)	87,320
Net investment earnings	<u>209,400</u>	<u>(96,265)</u>	<u>113,135</u>
	<u> </u>	<u> </u>	<u> </u>
Total additions	209,400	348,081	557,481
	<u> </u>	<u> </u>	<u> </u>
DEDUCTIONS			
Benefits to plan members	(215,892)	-	(215,892)
Administrative expenses	<u>(6,543)</u>	<u>-</u>	<u>(6,543)</u>
	<u> </u>	<u> </u>	<u> </u>
Total deductions	<u>(222,435)</u>	<u>-</u>	<u>(222,435)</u>
	<u> </u>	<u> </u>	<u> </u>
Change in net assets	(13,035)	348,081	335,046
	<u> </u>	<u> </u>	<u> </u>
Net assets - beginning	<u>3,357,900</u>	<u>2,553,006</u>	<u>5,910,906</u>
	<u> </u>	<u> </u>	<u> </u>
Net assets - ending	<u><u>\$ 3,344,865</u></u>	<u><u>\$ 2,901,087</u></u>	<u><u>\$ 6,245,952</u></u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Net Assets Agency Funds

June 30, 2008

	Current Year Tax Collection	Investment Interest Allocation	Payroll Fund	Trust and Agency	Historic Book	Insurer Blight Escrow	Total Agency Funds
ASSETS							
Cash and investments	\$ 204,282	\$ -	\$ -	\$ 37,517	\$ 10,585	\$ 7,443	\$ 259,827
Accounts receivable	83,830	-	215,122	-	-	-	298,952
Accrued interest receivable	-	100,054	-	-	-	-	100,054
Total assets	<u>288,112</u>	<u>100,054</u>	<u>215,122</u>	<u>37,517</u>	<u>10,585</u>	<u>7,443</u>	<u>658,833</u>
LIABILITIES							
Accounts payable	-	-	-	-	14	-	14
Checks issued against future deposits	-	-	208,898	-	-	-	208,898
Payroll withholdings payable	-	-	3,021	-	-	-	3,021
Accrued interest payable	-	100,054	-	-	-	-	100,054
Due to other governments	288,112	-	-	-	-	-	288,112
Deposits	-	-	3,203	37,517	10,571	7,443	58,734
Total liabilities	<u>\$ 288,112</u>	<u>\$ 100,054</u>	<u>\$ 215,122</u>	<u>\$ 37,517</u>	<u>\$ 10,585</u>	<u>\$ 7,443</u>	<u>\$ 658,833</u>

CITY OF PORTAGE, MICHIGAN
Statement of Changes in Agency Fund Assets and Liabilities
Fiduciary Funds
Fiscal Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Current year Tax Collection Fund				
<u>ASSETS</u>				
Cash and investments	\$ 245,572	\$ 89,581,467	\$ 89,622,757	\$ 204,282
Accounts receivable	29,347	884,747	830,264	83,830
<u>TOTAL ASSETS</u>	<u>\$ 274,919</u>	<u>\$ 90,466,214</u>	<u>\$ 90,453,021</u>	<u>\$ 288,112</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 274,919	\$ 180,014,910	\$ 180,001,717	\$ 288,112
<u>TOTAL LIABILITIES</u>	<u>\$ 274,919</u>	<u>\$ 180,014,910</u>	<u>\$ 180,001,717</u>	<u>\$ 288,112</u>
	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Investment Interest Allocation Fund				
<u>ASSETS</u>				
Accrued interest receivable	\$ 116,345	\$ 499,027	\$ 515,318	\$ 100,054
<u>TOTAL ASSETS</u>	<u>\$ 116,345</u>	<u>\$ 499,027</u>	<u>\$ 515,318</u>	<u>\$ 100,054</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 116,345	\$ 499,027	\$ 515,318	\$ 100,054
<u>TOTAL LIABILITIES</u>	<u>\$ 116,345</u>	<u>\$ 499,027</u>	<u>\$ 515,318</u>	<u>\$ 100,054</u>
	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Payroll Fund				
<u>ASSETS</u>				
Cash and investments	\$ -	\$ 22,017,980	\$ 22,017,980	\$ -
Accounts receivable	255,840	1,037,046	1,077,764	215,122
<u>TOTAL ASSETS</u>	<u>\$ 255,840</u>	<u>\$ 23,055,026</u>	<u>\$ 23,095,744</u>	<u>\$ 215,122</u>
<u>LIABILITIES</u>				
Checks issued against future deposits	\$ 253,654	\$ -	\$ 44,756	\$ 208,898
Accounts payable	1,693	16,922,329	16,921,001	3,021
Deposits	493	1,278,122	1,275,412	3,203
<u>TOTAL LIABILITIES</u>	<u>\$ 255,840</u>	<u>\$ 18,200,451</u>	<u>\$ 18,241,169</u>	<u>\$ 215,122</u>
	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Trust and Agency Fund				
<u>ASSETS</u>				
Cash and investments	\$ 36,646	\$ 126,546	\$ 125,675	\$ 37,517
<u>TOTAL ASSETS</u>	<u>\$ 36,646</u>	<u>\$ 126,546</u>	<u>\$ 125,675</u>	<u>\$ 37,517</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 430	\$ 124,249	\$ 124,679	\$ -
Deposits	36,216	151,737	150,436	37,517
<u>TOTAL LIABILITIES</u>	<u>\$ 36,646</u>	<u>\$ 275,986</u>	<u>\$ 275,115</u>	<u>\$ 37,517</u>

continued ...

CITY OF PORTAGE, MICHIGAN
Statement of Changes in Agency Fund Assets and Liabilities
Fiduciary Funds
Fiscal Year Ended June 30, 2008
(concluded)

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Historic Book Fund				
<u>ASSETS</u>				
Cash and investments	\$ 5,445	\$ 10,692	\$ 5,552	\$ 10,585
Accounts receivable	5,434	4,105	9,539	-
TOTAL ASSETS	<u>\$ 10,879</u>	<u>\$ 14,797</u>	<u>\$ 15,091</u>	<u>\$ 10,585</u>
<u>LIABILITIES</u>				
Deposits	\$ 10,773	\$ 10,572	\$ 10,774	\$ 10,571
Accounts payable	106	5,601	5,693	14
TOTAL LIABILITIES	<u>\$ 10,879</u>	<u>\$ 16,173</u>	<u>\$ 16,467</u>	<u>\$ 10,585</u>
	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Insurer Blight Escrow Fund				
<u>ASSETS</u>				
Cash and investments	\$ -	\$ 7,443	\$ -	\$ 7,443
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 7,443</u>	<u>\$ -</u>	<u>\$ 7,443</u>
<u>LIABILITIES</u>				
Deposits	\$ -	\$ 7,443	\$ -	\$ 7,443
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 7,443</u>	<u>\$ -</u>	<u>\$ 7,443</u>
	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Combined Fiduciary Funds				
<u>ASSETS</u>				
Cash and investments	\$ 287,663	\$ 111,744,128	\$ 111,771,964	\$ 259,827
Accounts receivable	406,966	2,424,925	2,432,885	399,006
TOTAL ASSETS	<u>\$ 694,629</u>	<u>\$ 114,169,053</u>	<u>\$ 114,204,849</u>	<u>\$ 658,833</u>
<u>LIABILITIES</u>				
Checks issued against future deposits	\$ 253,654	\$ -	\$ 44,756	\$ 208,898
Accounts payable	393,493	197,566,116	197,568,408	391,201
Deposits	47,482	1,447,874	1,436,622	58,734
TOTAL LIABILITIES	<u>\$ 694,629</u>	<u>\$ 199,013,990</u>	<u>\$ 199,049,786</u>	<u>\$ 658,833</u>

CITY OF PORTAGE, MICHIGAN

Capital Assets Used in the Operation of Governmental Funds Comparative Schedules by Source ⁽¹⁾ June 30, 2008

	<u>TOTAL</u>
Governmental funds capital assets:	
Land	\$ 8,080,735
Land improvements	6,526,292
Buildings	11,852,747
Machinery and equipment	5,344,024
Vehicles	4,099,083
Infrastructure	<u>192,049,230</u>
 Total governmental funds capital assets	 <u><u>\$ 227,952,111</u></u>
 Investments in governmental funds capital assets by source:	
General fund	\$ 35,298,070
Cable television fund	314,355
Leaf Pickup / Spring Cleanup fund	290,456
Capital projects funds	<u>192,049,230</u>
 Total investment in governmental funds capital assets	 <u><u>\$ 227,952,111</u></u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF PORTAGE, MICHIGAN
Capital Assets Used in the Operation of Governmental Funds
Schedules by Function and Activity ⁽¹⁾
June 30, 2008

Function and Activity	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Infrastructure	TOTAL
General government:							
Legislative	\$ -	\$ -	\$ -	\$ 5,404	\$ -	\$ -	\$ 5,404
Executive	-	-	-	381,362	-	-	381,362
Clerk	-	-	-	15,250	-	-	15,250
Finance/treasury	-	-	-	1,464,498	-	-	1,464,498
Assessor	-	-	-	8,546	-	-	8,546
Community Development	-	-	-	187,960	-	-	187,960
Other - unclassified	5,908,448	339,854	3,111,661	28,106	-	-	9,388,069
Total general government	5,908,448	339,854	3,111,661	2,091,126	-	-	11,451,089
Public safety:							
Police	19,000	38,236	3,110,087	1,440,051	782,713	-	5,390,087
Fire	365,036	77,056	3,082,777	524,724	3,148,992	-	7,198,585
Total public safety	384,036	115,292	6,192,864	1,964,775	3,931,705	-	12,588,672
Public works:	-	-	-	27,805	-	-	27,805
Highways and streets:							
Land	-	-	-	-	-	1,462,427	1,462,427
Right of way	-	-	-	-	-	4,163,555	4,163,555
Water & sewer system	-	-	-	-	-	1,047,381	1,047,381
Streets and alleys	-	-	-	-	-	170,527,589	170,527,589
Bikeways	-	-	-	-	-	563,033	563,033
Sidewalks	-	-	-	-	-	8,019,420	8,019,420
Bridges	-	-	-	-	-	1,188,922	1,188,922
Retaining walls	-	-	-	-	-	502,656	502,656
Traffic signals	-	-	-	-	-	4,574,247	4,574,247
Total highways and streets:	-	-	-	-	-	192,049,230	192,049,230
Recreation and cultural:							
Senior Citizen Center	44,000	38,200	457,452	25,825	-	-	565,477
Parks and recreation	1,627,503	5,991,116	2,090,770	955,638	-	-	10,665,027
Cable Television	-	-	-	278,855	35,500	-	314,355
Total recreation and cultural:	1,671,503	6,029,316	2,548,222	1,260,318	35,500	-	11,544,859
Health and welfare:							
Leaf Pickup / Spring Clean	116,748	41,830	-	-	131,878	-	290,456
Total governmental funds capital assets:	\$ 8,080,735	\$ 6,526,292	\$ 11,852,747	\$ 5,344,024	\$ 4,099,083	\$ 192,049,230	\$ 227,952,111

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets

CITY OF PORTAGE, MICHIGAN

Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity ⁽¹⁾ Fiscal Year Ended June 30, 2008

Function and Activity	Capital Assets July 1, 2007	Additions	Deductions	Capital Assets June 30, 2008
General government:				
Legislature	\$ 5,404	\$ -	\$ -	\$ 5,404
Executive	381,362	-	-	381,362
Clerk	15,250	-	-	15,250
Finance/treasury	1,477,954	22,648	(36,104)	1,464,498
Assessor	8,546	-	-	8,546
Community Development	187,960	-	-	187,960
Other - unclassified	9,325,115	62,954	-	9,388,069
Total general government	<u>11,401,591</u>	<u>85,602</u>	<u>(36,104)</u>	<u>11,451,089</u>
Public safety:				
Police	5,430,523	121,338	(161,774)	5,390,087
Fire	7,172,890	25,695	-	7,198,585
Total public safety	<u>12,603,413</u>	<u>147,033</u>	<u>(161,774)</u>	<u>12,588,672</u>
Public works	<u>27,805</u>	-	-	<u>27,805</u>
Infrastructure	<u>187,434,023</u>	<u>4,615,207</u>	-	<u>192,049,230</u>
Recreation and cultural:				
Senior citizen center	565,477	-	-	565,477
Parks and recreation	10,405,781	259,246	-	10,665,027
Cable television	314,355	-	-	314,355
Total recreation and cultural	<u>11,285,613</u>	<u>259,246</u>	<u>-</u>	<u>11,544,859</u>
Leaf pickup / Spring cleanup	<u>290,456</u>	-	-	<u>290,456</u>
Total governmental funds capital assets	<u>\$ 223,042,901</u>	<u>\$ 5,107,088</u>	<u>\$ (197,878)</u>	<u>\$ 227,952,111</u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

This part of the City of Portage's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	115
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	120
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	124
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</i>	129
Operating Information <i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	131

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF PORTAGE, MICHIGAN

Net Assets by Component

Last Six Fiscal Years

(accrual basis of accounting)

(expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 55,223	\$ 30,168	\$ 24,041	\$ 15,355	\$ 30,047	\$ 23,625
Restricted	7,351	9,243	7,839	8,249	6,375	5,909
Unrestricted	5,351	19,806	17,952	20,132	2,193	5,030
Total governmental activities net assets	67,925	59,217	49,832	43,736	38,615	34,565
Business-type activities						
Invested in capital assets, net of related debt	67,375	66,191	63,612	62,917	65,553	58,047
Restricted	700	700	200	200	200	200
Unrestricted	4,131	1,400	2,208	1,134	(1,507)	4,994
Total business-type activities net assets	72,206	68,291	66,020	64,251	64,246	63,241
Primary Government						
Invested in capital assets, net of related debt	122,598	96,359	87,653	78,271	95,600	81,672
Restricted	8,051	9,943	8,039	8,449	6,575	6,109
Unrestricted	9,482	21,206	20,161	21,266	686	10,025
Total primary governmental net assets	\$ 140,131	\$ 127,509	\$ 115,852	\$ 107,986	\$ 102,861	\$ 97,806

CITY OF PORTAGE, MICHIGAN

Changes in Net Assets Last Six Fiscal Years (accrual basis of accounting) (expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
Legislative	\$ 50	\$ 45	\$ 48	\$ 54	\$ 49	\$ 61
Judicial	145	7	12	17	25	49
General government	5,233	5,873	6,014	5,515	5,581	5,455
Public safety	12,471	13,968	14,352	14,383	14,967	15,078
Public works	361	363	357	420	440	432
Health and welfare	1,878	1,469	1,714	1,560	1,535	1,534
Economic development	-	-	2,535	1,952	-	-
Recreation and cultural	3,227	3,159	3,125	3,240	3,339	3,365
Public transportation	78	112	118	151	58	-
Highways and streets	3,750	5,747	5,483	2,327	3,945	4,026
Unallocated depreciation expense	6,901	7,007	7,023	7,107	7,103	6,874
Interest on long-term debt	2,116	3,016	2,739	3,251	2,946	2,756
Total governmental activities expenses	36,211	40,767	43,520	39,977	39,988	39,630
Business-type activities:						
Sewer	4,238	5,143	5,472	5,723	5,351	6,105
Water	3,229	6,742	4,969	4,931	4,004	4,509
Total business-type activities expenses	7,467	11,885	10,441	10,654	9,355	10,614
Total primary government expenses	\$ 43,678	\$ 52,653	\$ 53,961	\$ 50,631	\$ 49,343	\$ 50,244
Program revenues						
Governmental activities:						
Charges for services						
Recreation and cultural	742	782	806	862	898	923
Public safety	981	988	1,068	978	966	747
Other activities	673	544	601	600	495	482
Operating grants and contributions						
Highways & streets	3,406	3,706	3,623	3,578	3,474	3,504
Other activities	1,457	944	1,369	1,248	896	1,028
Capital grants and contributions						
Public works	1,024	1,138	978	1,053	285	197
Health & welfare	1,003	1,282	1,182	1,242	1,239	1,286
Other activities	0	48	150	61	5	11
Total governmental activities program revenues	9,285	9,431	9,777	9,621	8,260	8,178

CITY OF PORTAGE, MICHIGAN

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Business-type activities:						
Charges for services						
Sewer	4,106	4,148	4,432	4,879	4,739	5,356
Water	3,391	3,302	3,540	3,869	3,813	4,076
Operating grants and contributions	105	78	98	97	70	64
Capital grants and contributions	-	-	-	2	-	-
Total business-type activities program revenues	7,602	7,528	8,070	8,847	8,622	9,496
Total primary government program revenues	16,888	16,959	17,847	18,469	16,882	17,673
Net (expense)/revenue						
Governmental activities:	\$ (26,926)	\$ (31,336)	\$ (33,743)	\$ (30,356)	\$ (31,728)	\$ (31,452)
Business-type activities	135	(4,357)	(2,371)	(1,807)	(733)	(1,118)
Total primary government net expense	\$ (26,790)	\$ (35,693)	\$ (36,114)	\$ (32,162)	\$ (32,461)	\$ (32,570)
General Revenues & Other Changes in Net Assets						
Governmental activities:						
Property taxes	15,305	16,583	17,928	17,936	20,042	21,649
Unrestricted grants & contributions	6,211	6,242	6,207	5,758	5,443	5,334
Unrestricted investment earnings	104	161	296	593	388	482
Gain on sale of capital assets	6	3	26	9	1,347	50
Transfers	82	(442)	(100)	(37)	(611)	(114)
Total governmental activities	21,709	22,547	24,358	24,259	26,609	27,401
Business-type activities:						
Unrestricted grants & contributions	1,474	-	-	-	117	-
Transfers	(82)	442	100	37	611	114
Total business-type activities	1,392	442	100	37	728	114
Total primary government	\$ 23,101	\$ 22,989	\$ 24,458	\$ 24,296	\$ 27,337	\$ 27,515
Change in Net Assets						
Governmental activities	(5,217)	(8,789)	(9,385)	(6,097)	(5,119)	(4,051)
Business-type activities	1,528	(3,915)	(2,271)	(1,770)	(5)	(1,005)
Total primary government	\$ (3,689)	\$ (12,704)	\$ (11,656)	\$ (7,866)	\$ (5,124)	\$ (5,056)

CITY OF PORTAGE, MICHIGAN
Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General fund						
Reserved	\$ 749	\$ 1,324	\$ 1,109	\$ 1,077	\$ 1,513	\$ 1,784
Unreserved	2,568	2,405	2,967	3,337	2,782	3,054
Total general fund	<u>3,317</u>	<u>3,729</u>	<u>4,076</u>	<u>4,414</u>	<u>4,295</u>	<u>4,838</u>
All other governmental funds						
Reserved	2,418	4,313	2,818	5,142	3,489	3,646
Unreserved, reported in:						
Special assessments fund	3,391	3,124	2,801	4,440	3,989	3,623
Capital Improvement fund	-	-	-	-	(2,237)	168
Local Development Finance Authority	-	3,164	-	-	-	-
Streets funds	154	645	626	539	943	601
Nonmajor governmental funds	279	294	455	401	256	519
Total all other governmental funds	<u>\$ 6,242</u>	<u>\$ 11,539</u>	<u>\$ 6,700</u>	<u>\$ 10,523</u>	<u>\$ 6,440</u>	<u>\$ 8,557</u>

CITY OF PORTAGE, MICHIGAN
Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues						
Taxes and special assessments	\$ 17,127	\$ 18,152	\$ 19,737	\$ 21,612	\$ 21,846	\$ 23,529
Licenses and permits	1,177	1,185	1,271	1,189	1,170	965
Intergovernmental	8,783	8,393	8,274	8,296	7,772	7,722
Charges for services	2,528	2,872	2,854	2,492	2,226	2,277
Fines and forfeits	116	-	4	-	-	-
Interest and rents	760	879	955	1,522	1,158	1,274
Other	409	315	998	458	1,683	493
Total revenues	<u>30,900</u>	<u>31,796</u>	<u>34,094</u>	<u>35,569</u>	<u>35,855</u>	<u>36,260</u>
Expenditures						
Legislative	50	45	48	54	49	61
Judicial	145	7	12	17	25	49
General government	4,724	5,047	5,264	5,220	5,097	5,026
Public safety	11,529	12,538	13,278	13,460	14,247	14,358
Public works	332	335	339	357	372	374
Health and welfare	1,862	1,437	1,694	1,545	1,551	1,584
Recreation and cultural	2,815	2,736	2,699	2,841	2,974	2,955
Public transportation	78	107	113	149	61	-
Highways and streets	3,694	3,310	3,755	3,021	3,301	3,428
Refund of tax revenues	-	-	-	10	-	-
Development	-	-	2,535	1,952	-	-
Capital outlay	9,265	8,460	10,488	5,511	5,605	5,681
Debt service:						
Principal	2,207	2,943	3,366	3,223	3,892	4,258
Interest and fiscal charges	1,981	2,224	2,591	2,803	3,040	2,900
Total expenditures	<u>38,683</u>	<u>39,189</u>	<u>46,183</u>	<u>40,165</u>	<u>40,215</u>	<u>40,674</u>
Excess of revenues over (under) expenditures	(7,782)	(7,393)	(12,089)	(4,596)	(4,360)	(4,414)
Other financing sources (uses)						
Issuance of debt	8,443	13,242	8,063	8,794	785	7,089
Transfers in	4,448	6,012	5,245	5,731	7,348	8,520
Transfers out	(4,366)	(6,753)	(5,712)	(5,768)	(7,958)	(8,635)
Total other financing sources (uses)	<u>8,525</u>	<u>12,501</u>	<u>7,596</u>	<u>8,757</u>	<u>174</u>	<u>6,974</u>
Net change in fund balances	<u>\$ 742</u>	<u>\$ 5,109</u>	<u>\$ (4,493)</u>	<u>\$ 4,161</u>	<u>\$ (4,186)</u>	<u>\$ 2,560</u>
Debt service as a percentage of noncapital expenditures	14.2%	14.9%	15.3%	17.9%	19.5%	20.1%

CITY OF PORTAGE, MICHIGAN

(unaudited)

Assessed Value and Estimated Market Value of Taxable Property Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year Ended June 30,	Real Property		Personal Property	Less: Tax Exempt Real Property ⁽²⁾	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Market Value
	Residential Property	Commercial Property	Manufacturing Equipment					
1999	745,563	345,363	279,607	52,873	1,317,660	10.177	2,635,319	50.0%
2000	794,304	386,753	293,155	57,242	1,416,971	10.100	2,833,942	50.0%
2001	837,766	422,894	261,452	61,100	1,461,012	10.000	2,922,023	50.0%
2002	877,796	470,277	318,262	65,336	1,600,999	10.000	3,201,998	50.0%
2003	939,312	552,558	311,534	72,306	1,731,099	10.302	3,462,197	50.0%
2004	1,010,201	548,090	319,845	75,525	1,802,611	10.144	3,605,222	50.0%
2005	1,083,196	573,222	330,008	80,281	1,906,146	10.144	3,812,292	50.0%
2006	1,147,909	597,627	330,667	84,600	1,991,603	10.144	3,983,205	50.0%
2007	1,218,346	620,179	311,598	94,849	2,055,274	10.489	4,110,549	50.0%
2008	\$ 1,108,584	\$ 569,278	\$ 315,429	\$ 96,934	\$ 1,896,357	10.489	\$ 3,792,714	50.0%

(1) According to State Statute, all property is to be assessed at 50 percent of market value (State Equalized Value).

(2) Tax exempt real property estimated prior to 2006.

SOURCE: City Assessor's Office, L-4022 Report

CITY OF PORTAGE, MICHIGAN
(unaudited)
Property Tax Rates
Direct and Overlapping¹ Governments
(Per \$1,000 of Taxable Value)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Portage						Total City Millage
	General Fund	Capital Improvements	Debt Service	Curbside Recycling	Fall Leaf/ Spring Clean ⁽¹⁾	Municipal Streets	
1999	7.1559	2.0000	0.2011	0.4200	0.4000	-	10.1770
2000	7.1469	2.0000	0.1931	0.3600	0.4000	-	10.1000
2001	7.0849	2.0000	0.1931	0.4350	0.2870	-	10.0000
2002	7.1480	2.0000	0.1920	0.3730	0.2870	-	10.0000
2003	7.4672	2.0000	0.1575	0.2900	0.3870	-	10.3017
2004	7.3592	2.0000	-	0.3850	0.4000	-	10.1442
2005	7.4712	2.0000	-	0.3200	0.3530	-	10.1442
2006	7.4372	2.0000	-	0.3070	0.4000	-	10.1442
2007	7.5000	2.0000	-	0.2742	0.3700	-	10.1442
2008	7.5000	2.0000	-	0.2742	0.3700	0.3450	10.4892

Fiscal Year Ended June 30,	Overlapping Rates						Total Direct & Overlapping Rates
	State Education Tax	Portage Public Schools ⁽²⁾	Portage District Library	Kalamazoo County	Kalamazoo Regional Educational Service Agency	Kalamazoo Valley Community College	
1999	6.0000	2.6762	1.4200	6.1400	3.0500	2.8231	32.2863
2000	6.0000	2.6762	1.3800	6.1400	3.0418	2.8152	32.1532
2001	6.0000	3.7000	1.4900	6.1400	3.0416	2.8151	33.1867
2002	6.0000	3.7000	1.4900	6.1400	3.0416	2.8151	33.1867
2003	6.0000	3.7000	1.4900	6.1362	3.0416	2.8139	33.4834
2004	5.0000	3.7000	1.4900	6.1362	3.0416	2.8139	32.3259
2005	6.0000	3.7000	1.4900	6.1362	3.0416	2.8135	33.3255
2006	6.0000	2.7000	1.4900	6.1362	4.5416	2.8135	33.8255
2007	6.0000	2.7000	1.4900	6.5862	4.5416	2.8135	34.2755
2008	6.0000	2.7000	1.4900	6.7162	4.5416	2.8135	34.7505

Notes:

(1) Overlapping rates are those of local and county government that apply to property owners within the City of Portage. Not all overlapping rates apply to all City of Portage property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

(2) Non homestead properties add 18 mills

SOURCE: Treasury Office

CITY OF PORTAGE, MICHIGAN

(unaudited)

Principal Property Taxpayers Current Year and Nine Years Ago June 30, 2008

Name	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc)	\$ 351,966,846	1	9.25 %	\$ 321,302,800	1	23.46 %
Crossroads Mall (Connecticut Gen'l Life Ins Co)	21,988,712	2	0.58	12,193,100	4	0.89
Stryker Corporation	21,394,189	3	0.56	16,075,500	3	1.17
Consumers Energy Co.	19,103,496	4	0.50	19,045,000	2	1.39
Edward Rose Associates	12,240,597	5	0.32	10,310,300	5	0.75
Mann+Hummel	8,866,027	6	0.23			
Meijer, Inc.	8,721,098	7	0.23	3,961,000	10	0.29
Stryker Medical	8,182,100	8	0.22			
Bowers Manufacturing	7,971,294	9	0.21			
Southland Mall Ltd	7,714,602	10	0.20	6,104,400	7	0.45
Summit Polymers / Mueller Plastics				5,316,000	6	0.39
Dayton Hudson Corp.				5,735,900	8	0.42
Target/Portage Crossings				5,220,700	9	0.38
Totals	<u>\$ 468,148,961</u>		<u>12.31 %</u>	<u>\$ 405,264,700</u>		<u>29.59 %</u>

SOURCE: City Assessor's Office

CITY OF PORTAGE, MICHIGAN

(unaudited)

Property Tax Levies and Collections

Last Ten Fiscal Years

(expressed in thousands)

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		Collected by due date	Percentage of Levy	Collections in subsequent years	Amount	Percentage of Levy
1999	\$ 13,643	13,425	98.4%	\$ 9	13,434	98.5%
2000	14,198	13,941	98.2%	10	13,951	98.3%
2001	14,300	13,992	97.8%	10	14,002	97.9%
2002	15,575	14,833	95.2%	19	14,851	95.4%
2003	15,849	15,542	98.1%	23	15,565	98.2%
2004	16,661	16,372	98.3%	25	16,397	98.4%
2005	17,714	17,530	99.0%	16	17,546	99.1%
2006	18,589	18,334	98.6%	238	18,572	99.9%
2007	19,674	18,719	95.1%	643 *	19,362	98.4%
2008	21,090	20,258	96.1%	437	20,695	98.1%

Notes:

The city holds only delinquent personal property taxes: any real estate taxes not collected by the date due are turned over to Kalamazoo County as of March 1st each year, and the city receives full settlement.

* Includes a one-time settlement of \$355,000 from Pfizer Corp, the city's largest taxpayer.

SOURCE: Treasury Office

CITY OF PORTAGE, MICHIGAN
(unaudited)
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(expressed in thousands, except per capita)

June 30,	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities										
General Obligation bonds	\$ 2,556	\$ 3,511	\$ 2,652	\$ 2,254	\$ 2,920	\$ 2,666	\$ 2,913	\$ 2,543	\$ 2,162	\$ 1,860
Special Assessment bonds	5,855	6,585	6,789	6,529	8,394	8,314	8,054	7,415	7,280	6,350
Motor Vehicle Highway bonds	11,495	13,220	12,675	15,390	14,900	14,230	13,530	12,780	11,925	11,090
Capital Improvement bonds	-	-	-	-	5,480	10,985	17,643	22,418	21,165	29,931
Redevelopment bonds	7,280	11,205	12,500	18,965	18,480	24,000	23,065	25,455	24,585	20,690
Other debt	463	210	148	98	48	-	-	-	-	-
Total governmental activities	27,649	34,730	34,764	43,236	50,222	60,195	65,205	70,611	67,117	69,921
Business-Type Activities										
Utility Revenue bonds	8,965	8,585	11,505	14,325	17,770	19,525	16,155	15,600	14,970	1,105
Capital Improvement bonds	-	-	-	-	-	-	8,732	9,932	9,352	31,414
General Obligation bonds	3,813	3,475	4,379	4,290	5,055	5,299	4,202	3,742	3,221	2,815
Capital Lease	1,250	1,000	750	500	250	-	-	-	-	-
Total business-type activities	14,028	13,060	16,634	19,115	23,075	24,824	29,089	29,274	27,543	35,334
Total primary government	\$ 41,677	\$ 47,791	\$ 51,398	\$ 62,351	\$ 73,297	\$ 85,019	\$ 94,294	\$ 99,885	\$ 94,660	\$ 105,255
Percentage of personal income ⁽¹⁾	0.170%	0.188%	0.195%	0.231%	0.267%	0.295%	0.318%	0.328%	0.302%	0.327%
Per capita	930	1,064	1,150	1,387	1,605	1,869	2,083	2,202	2,093	2,285

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See the Schedule of Demographic and Economic Statistics on a later page for personal income and population data.

SOURCE: City Annual Financial Statements

CITY OF PORTAGE, MICHIGAN
(unaudited)
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(expressed in thousands, except per capita)

Fiscal Year Ended June 30,	Gross Bonded Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value ⁽¹⁾ of Property	Per Capita
1999	\$ 35,349	\$ 172	\$ 35,177	1.33%	785
2000	40,996	197	40,799	1.44%	909
2001	51,250	160	51,090	1.75%	1,143
2002	62,253	77	62,176	1.94%	1,383
2003	73,249	162	73,087	2.11%	1,600
2004	85,294	180	85,114	2.36%	1,872
2005	95,349	936	94,413	2.48%	2,085
2006	100,940	1,995	98,945	2.48%	2,182
2007	95,715	2,181	93,534	2.28%	2,068
2008	105,255	2,311	102,944	2.71%	2,235

SOURCE: City Annual Financial Statements

CITY OF PORTAGE, MICHIGAN
(unaudited)
Computation of Direct and Overlapping Bonded Debt
June 30, 2008

Name of Governmental Unit	Bonds Outstanding	Percent Applicable to City	City's Share of Debt
City of Portage:			
General Obligation Bonds	\$ 4,675,000	100.00%	\$ 4,675,000
Building Authority Bonds	8,975,000	100.00%	8,975,000
Downtown Development Authority Bonds	5,585,000	100.00%	5,585,000
Local Development Finance Authority Bonds	6,130,000	100.00%	6,130,000
Special Assessment Bonds	6,350,000	100.00%	6,350,000
Motor Vehicle Highway Fund Bonds	11,090,000	100.00%	11,090,000
Capital Improvement Bonds	61,345,000	100.00%	61,345,000
Revenue Bonds	1,105,000	100.00%	1,105,000
Total	<u>\$ 105,255,000</u>		<u>\$ 105,255,000</u>
Portage Public Schools ⁽¹⁾	139,570,000	87.23%	121,746,911
Vicksburg Public Schools ⁽¹⁾	20,617,000	7.07%	1,457,622
Comstock Public Schools ⁽¹⁾	11,261,000	2.36%	265,760
Schoolcraft Public Schools ⁽¹⁾	17,672,237	2.23%	394,091
Kalamazoo Valley Intermediate School District ⁽¹⁾	24,675,000	27.07%	6,679,523
Kalamazoo County ⁽¹⁾	37,046,372	25.08%	9,291,230
Total			<u>\$ 139,835,137</u>
Total of City's share of debt			<u><u>\$ 245,090,137</u></u>

Note:

⁽¹⁾ Overlapping jurisdictions outstanding and overlapping debt as of August 12, 2008

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Portage. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

SOURCE: Municipal Financial Consultants Incorporated

CITY OF PORTAGE, MICHIGAN

(unaudited)

Computation of Legal Debt Margin

Last Ten Fiscal Years

(expressed in thousands)

For Special Assessment Bonds

State Equalized Assessed Value - June 30, 2008	\$ 2,294,850
Debt limit - twelve percent of Adjusted State Equalized Assessed Value	275,382
Special Assessment Bonds	6,350
Legal debt margin	<u>\$ 269,032</u>

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$176,697	\$186,839	\$199,963	\$216,411	\$225,376	\$238,371	\$249,144	\$258,015	\$266,509	\$ 275,382
Debt applicable to limit	6,485	7,705	7,269	6,529	9,644	8,314	8,054	7,415	7,280	6,350
Legal debt margin	<u>\$170,212</u>	<u>\$179,134</u>	<u>\$192,694</u>	<u>\$209,882</u>	<u>\$215,732</u>	<u>\$230,057</u>	<u>\$241,090</u>	<u>\$250,600</u>	<u>\$259,229</u>	<u>\$ 269,032</u>

Computation of Legal Debt Margin

For General Obligation Bonds

State Equalized Assessed Value - June 30, 2008	\$ 2,294,850
Debt limit - ten percent of Adjusted State Equalized Assessed Value	229,485
Amount of debt applicable to debt limit:	
General Obligation Debt	93,060
Legal debt margin	<u>\$ 136,425</u>

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$147,248	\$155,699	\$166,636	\$180,343	\$187,814	\$198,643	\$207,620	\$215,012	\$222,091	\$ 229,485
Debt applicable to limit	17,909	24,151	23,979	33,509	32,588	37,984	53,365	62,415	67,765	93,060
Legal debt margin	<u>\$129,339</u>	<u>\$131,548</u>	<u>\$142,656</u>	<u>\$146,834</u>	<u>\$155,225</u>	<u>\$160,658</u>	<u>\$154,256</u>	<u>\$152,597</u>	<u>\$154,326</u>	<u>\$ 136,425</u>

SOURCE: Assessor (SEV)

City Annual Financial Statements (debt balances)

Note: Under state finance law (Section 4a, Act 279 of 1909 and Act 202, P.A. 1943 as amended by Act 42 P.A. 1960), the city's outstanding general obligation debt should not exceed 10 percent of adjusted State Equalized Value.

CITY OF PORTAGE, MICHIGAN

(unaudited)

Pledged Revenue Coverage

Last Ten Fiscal Years

(expressed in thousands)

Fiscal Year Ended June 30,	Utility Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements			Special Assessment Collections	Debt Service Requirements		
				Principal	Interest	Coverage		Principal	Interest	Coverage
1999	\$ 6,806	\$ 4,277	\$ 2,529	\$ 380	\$ 501	2.87	\$ 938	\$ 880	\$ 340	0.77
2000	6,516	4,857	1,659	380	483	1.92	215	640	339	0.22
2001	7,005	5,033	1,973	410	623	1.91	481	756	362	0.43
2002	7,693	4,389	3,304	560	705	2.61	2,005	780	351	1.77
2003	7,498	5,295	2,202	555	701	1.75	1,075	841	309	0.93
2004	7,450	7,637	(187)	705	803	(0.12)	1,069	955	375	0.80
2005	7,972	7,158	814	485	527	0.80	941	910	354	0.74
2006	8,720	7,260	1,460	555	650	1.21	2,893	919	336	2.31
2007	8,618	7,250	1,369	630	630	1.09	773	920	304	0.63
2008	9,432	7,942	1,490	650	608	1.18	863	930	299	0.70

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF PORTAGE, MICHIGAN
(unaudited)
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population ⁽¹⁾	Personal Income (thousands of dollars)	Per Capita Personal Income (est)	Median Household Income ⁽²⁾	Median Age	Education Level in Years of Schooling	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
1999	44,834	1,098,830	24,509	48,668	35.8	14.0	8,900	2.3%
2000	44,897	1,141,012	25,414	49,410	35.8	14.0	8,650	1.8%
2001	44,707	1,178,858	26,369	50,029	35.8	14.0	8,600	3.9%
2002	44,943	1,210,664	26,938	50,544	35.8	14.0	8,600	2.8%
2003	45,679	1,254,894	27,472	50,974	35.8	14.0	8,900	3.4%
2004	45,478	1,309,013	28,783	51,332	35.8	14.0	8,838	4.4%
2005	45,277	1,341,433	29,627	51,631	35.8	14.0	8,962	3.9%
2006	45,354	1,381,973	30,471	51,900	35.8	14.0	8,816	4.0%
2007	45,236	1,416,559	31,315	51,600	35.8	14.0	8,800	4.0%
2008	46,066	1,481,422	32,159	51,350	35.8	14.0	8,725	4.7%

Notes:

⁽¹⁾ 2000 figure from 2000 US Census, other annual changes estimated

⁽²⁾ 1997 thru 1999 figures based on 1990 census, increases estimated.
2000 figure based on 2000 census

2001 thru 2006 estimated using US Census Bureau, City-Data.com

⁽³⁾ Portage Public Schools Community Relations

⁽⁴⁾ Municipal Financial Consultants Incorporated

Source: Finance Director

CITY OF PORTAGE, MICHIGAN

(unaudited)

Principal Employers Current Year and Nine Years Ago June 30, 2008

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc)	3,500	1	13.09 %	4,200	1	17.16 %
Stryker Corporation	1,600	2	5.98	900	5	3.68
Meijer, Inc.	1,361	3	5.09	675	6	2.76
Portage Public Schools	1,121	4	4.19	1,193	4	4.87
State Farm Mutual Auto Insurance Co.	750	5	2.81			
Summit Polymers / Mueller Plastics	550	6	2.06	1,200	3	4.90
Wal-Mart	406	7	1.52			
Kal. Regional Educational Service Agency	350	8	1.31			
J C Penney Co., Inc	300	9	1.12	350	7	1.43
Bowers Manufacturing	295	10	1.10	320	8	1.31
Wise Personnel Service, Inc.				2,516	2	10.28
Hudson Department Stores				300	9	1.23
Harding's Galesburg Market				248	10	1.01
Totals	10,233		38.28 %	11,902		48.63 %
Total employees	26,734			24,476		

SOURCE: Municipal Financial Consultants Incorporated

CITY OF PORTAGE, MICHIGAN
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Assessor	n/a	6	6	6	5	6	6	6	6	6
Clerk	n/a	3	3	3	3	3	3	3	3	3
City Administration	n/a	7	8	8	8	9	9	8	8	8
Finance	n/a	10	11	11	10	10	10	10	10	9
Human Resources	n/a	7	7	7	9	8	8	8	9	9
Management Information Svcs.	n/a	5	0	0	0	0	0	0	0	0
Purchasing	n/a	3	3	3	2	2	2	3	3	3
Police Protection										
Administrative	n/a	4	4	4	4	4	4	4	4	4
Operations	n/a	72	75	75	72	74	75	75	74	70
Fire Protection										
Administrative	n/a	4	4	4	4	4	4	4	4	4
Operations	n/a	30	31	31	31	31	31	31	31	32
Streets and Equipment	n/a	26	26	26	26	25	24	25	23	23
Community Development	n/a	18	19	18	18	18	18	18	18	17
Transportation and Utilities	n/a	8	9	10	9	9	9	9	9	9
Parks and recreation	n/a	16	16	16	15	15	17	17	17	14
Senior Center	n/a	4	4	4	4	4	5	6	6	3
Total	n/a	223	226	226	220	222	225	227	225	214

SOURCE: City Annual Budget

CITY OF PORTAGE, MICHIGAN
Operating Indicators by Function/Program
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function										
Police										
Arrests	3,504	3,535	3,571	2,766	2,676	2,754	4,010	4,695	4,700	3,850
Traffic citations	6,353	7,120	6,605	5,748	5,542	5,208	4,533	3,616	3,600	2,850
Calls for service (Police & Fire)	21,102	22,571	24,102	20,206	24,358	24,718	23,913	24,934	24,000	24,500
Fire										
Number of calls answered										
Fire	530	520	136	148	122	118	117	134	120	126
Emergency medical	2,633	3,700	1,977	1,966	1,836	2,019	1,620	1,761	1,750	1,962
Inspections	1,350	1,300	1,823	1,804	1,896	2,143	3,000	2,971	3,100	3,588
Parks and Recreation										
Acreage of intensive maintenance	190	190	191	196	197	200	203	207	207	207
Acreage of boulevard mowing	98	100	116	122	125	129	129	129	130	131
Highways and streets										
Miles of major streets plowed	59	60	70	70	71	71	71	71	71	72
Miles of streets resurfaced	n/a	12	46	6	3	1	2	33	3	1
Miles of right-of-way mowed	n/a	10	10	10	41	50	58	52	66	50
Miles of streets swept	3,870	4,542	2,662	3,477	3,017	4,688	4,800	4,500	5,000	5,000
Water utility										
Water pumped & treated (millions of gallons)	1,787	1,787	1,886	1,540	2,043	1,968	2,000	2,170	2,200	2,200
Water main breaks	19	34	25	24	35	28	21	24	24	19
Sewer utility										
Sewage transported (millions of gallons)	1,591	1,649	1,595	1,606	1,759	1,778	1,818	1,850	1,890	1,784
Miles of sewers cleaned	99	91	89	105	96	133	96	95	95	81
Lift station inspections	3,332	4,601	2,988	3,848	4,004	3,894	3,950	3,750	3,800	1,980

SOURCE: Department of Transportation & Utilities, Police Department, Fire Department, Department of Parks & Recreation

CITY OF PORTAGE, MICHIGAN
Capital Asset Statistics by Function
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	30	30	30	30	30	30	32	32	35	35
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Vehicles	16	16	16	16	16	17	14	14	14	14
Health and welfare										
Number of parks	13	13	14	14	14	14	15	15	15	16
Acres of parks	712	712	712	712	721	724	724	724	724	724
Senior citizen centers	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Miles of Streets	193	200	203	205	206	211	215	217	217	219
Water utility										
Water mains (miles)	198	205	209	217	220	226	233	237	237	242
Number of fire hydrants	1,900	1,900	1,900	2,150	2,242	2,327	2,498	2,455	2,500	2,587
Number of customers	11,415	11,655	11,888	12,194	12,533	12,757	13,025	13,133	13,358	13,420
Sewer utility										
Sewer lines (miles)	199	202	205	209	213	218	221	224	227	229
Lift stations	54	54	54	54	55	55	56	55	55	55
Number of customers	12,716	12,960	13,492	13,638	13,970	14,161	14,450	14,662	14,887	14,903

SOURCE: City Annual Budget